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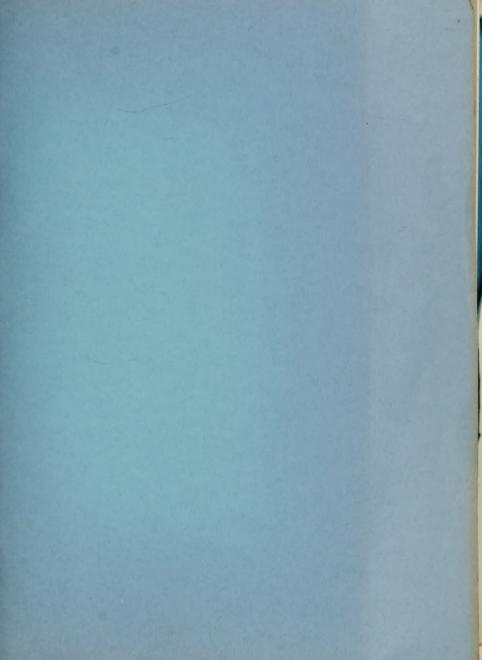
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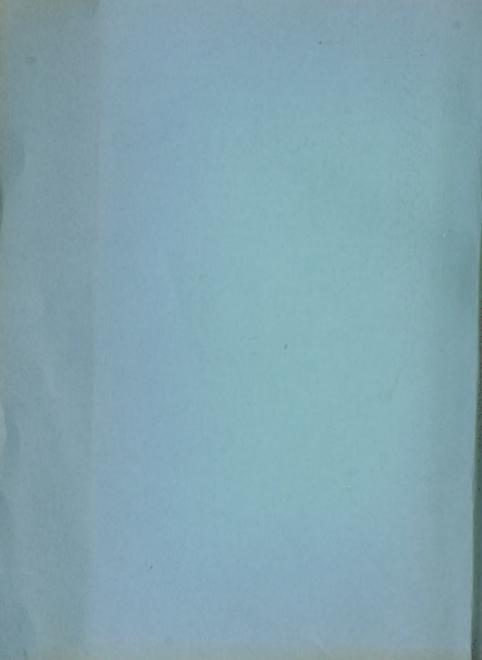
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No. 20,220

IN THE

United States Court of Appeals For the Ninth Circuit

GERARD JOSEPH LAVOIE,

Petitioner.

VS.

CECIL F. POOLE,

United States Immigration and Naturalization Service,

Respondent.

BRIEF FOR RESPONDENT

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IN THE

United States Court of Appeals For the Ninth Circuit

GERARD JOSEPH LAVOIE,

Petitioner.

VS.

UNITED STATES IMMIGRATION
AND NATURALIZATION SERVICE,

Respondent.

BRIEF FOR RESPONDENT

JURISDICTION

The jurisdiction of this Court is properly invoked under 8 USC 1105(a) (Section 106 of the Immigration and Nationality Act) to review the final order of deportation of petitioner.

STATEMENT OF THE CASE

Petitioner was served with an order to show cause (R., p. 185) on or about January 18, 1962, which alleged that he was a sexual deviate at the time of his entries on January 26, 1960 and May 5, 1960, and charged that he was subject to deportation pursuant

to §241(a)(1) of the Immigration and Nationality Act in that "at the time of entry you were within one or more of the classes of aliens excludable by the law existing at the time of such entry, to wit, alien afflicted with psychopathic personality under Section 212(a) (4) of the Act."

Petitioner is a native and citizen of Canada, age 39 in 1964. He entered the United States for permanent residence at Noyes, Minnesota, on January 26, 1960 (R., p. 96). Exhibit 2, (R., pp. 187-195) is a statement taken from the petitioner by an investigator of respondent on August 30, 1961. The essential facts are recited in the decision of the Special Inquiry Officer of January 30, 1964 (R., pp. 96-99).

A letter from Dr. Daniel Beittel, M.D., a staff psychiatrist for the United States Public Health Service, was introduced into the record as Exhibit 3 (R., p. 196). Dr. Beittel was cross examined at length (R., pp. 112-148).

Dr. Bernard L. Diamond, M.D., a psychiatrist and psychoanalyst, was called by the petitioner and was examined and cross examined at length (R., pp. 154-183).

In his decision, the Special Inquiry Officer (R., p. 100) found that petitioner had not disputed the accuracy of the statements made in Exhibit 2 (R., p. 187), and that a person who has engaged in such acts twelve to twenty-four times a year over a period of at least eleven years is a sexual deviate and within the definition Congress intended to apply to the term

"psychopathic personality." He found petitioner to have been a sexual deviate at the time of his entry on January 26, 1960 and deportable on the charge in the order to show cause.

Petitioner appealed from the decision of the Special Inquiry Officer, and on May 6, 1964 the Board of Immigration Appeals ordered the case remanded "to have included in the record the pertinent Section of the USPHS Manual for the Medical Examination of Aliens and for characterization of the respondent's disorder by both phychiatrists in the light thereof. Further testimony should be taken as to what pattern determines a sexual deviate or homosexual."

At the reopened hearing Dr. Beittel was recalled as a witness. Dr. Diamond was not recalled by petitioner.

The Special Inquiry Officer, on March 11, 1965, found that petitioner "having engaged in homosexual acts over an extended period of time, is a homosexual and as such is a sexual deviate and deportable as a member of the class of aliens afflicted with psychopathic personality at the time of entry", (R., p. 19) and again ordered his deportation. The decision of the Special Inquiry Officer (R., p. 16) is attached hereto as Appendix I.

This decision was appealed to the Board of Immigration Appeals. On May 28, 1965 the appeal was ordered dismissed. The opinion of the Board of Immigration Appeals (R., p. 2) is attached hereto as Appendix II.

STATUTES

Section 241(a)(1):

Any alien in the United States (including an alien crewman) shall, upon the order of the Attorney General, be deported who—(1) at the time of entry was within one or more of the classes of aliens excludable by the law existing at the time of such entry.

Section 212(a)(4):

- (a) Except as otherwise provided in this Act, the following classes of aliens shall be ineligible to receive visas and shall be excluded from admission to the United States: * * *
 - (4) Aliens afflicted with psychopathic personality, epilepsy, or a mental defect.

Section 212(a)(4), as amended by P. L. 89-236 (Section 15(b)):

(4) Aliens afflicted with psychopathic personality, or sexual deviation, or a mental defect.

PETITIONER'S SPECIFICATION OF ERRORS

- 1. The order of deportation is invalid as not based upon reasonable, substantial and probative evidence.
- 2. The statute is void for vagueness—Fleuti v. Rosenberg, 302 F.2d 652.
- 3. The order is invalid because of lack of due process in that petitioner was not advised of his right

to counsel at the time the statement was taken from him—

Massiah v. United States, 377 U.S. 201; Escobedo v. Illinois, 378 U.S. 478.

SUMMARY OF ARGUMENT

1. There was no disagreement between the two psychiatrists that petitioner was a sexual deviate on January 26, 1960. Under the Public Health Service Manual for Medical Examination of Aliens, "(a) the legal term 'psychopathic personality' is equivalent to the medical designation 'personality disorder' * * * (b) Under this legal category will be classified those applicants who are diagnosed as sexual deviates.

The finding of excludability is on the ground that at the time of entry petitioner was a sexual deviate and therefore excludable as a "psychopathic personality". This finding is not based in part on postentry behavior.

The order is supported by reasonable, substantial and probative evidence.

- 2. The legislative history is clear that Congress intended Section 212(a)(4) to apply to sexual deviates. Section 212(a)(4) was amended by Public Law 89-236, October 3, 1965, by deleting the word "epilepsy" and substituting the words "or sexual deviation."
- 3. The constitutional requirement of fair warning applies only to statutes regulating conduct or impos-

ing sanctions upon conduct. It does not apply to a statute such as Section 212(a)(4) of the Immigration and Nationality Act, which merely describes standards for admission of aliens.

4. Petitioner was accorded due process. The *Escobedo* and *Massiah* cases govern criminal prosecution. Deportation proceedings are civil in nature.

Fuentes-Torres v. INS, 344 F.2d 911 (C.A. 9, 1965);

Ben Huie v. INS, 349 F.2d 1014 (C.A. 9, 1965).

ARGUMENT

I. THE ORDER OF DEPORTATION IS BASED UPON REASON-ABLE. SUBSTANTIAL AND PROBATIVE EVIDENCE.

The circumstance which precipitated the order to show cause in this case occurred in the public toilet at Woolworth's (R., p. 163.) Petitioner was apprehended by a policeman on June 2, 1961 and charged with violation of Section 215 of the San Francisco Municipal Police Code (being a party to a lewd, obscene and indecent act (R., p. 108). A plea of guilty was entered and he was sentenced to a fine of \$105 or five days in the county jail (Exhibit No. 5, R., p. 60). On August 30, 1961 the statement (Exhibit No. 2, R., p. 187) was made.

In this statement petitioner freely admitted he was a "homosexual" (R., p. 189), and expressed his interpretation of the term as "a homosexual is a person whose sexual urges are directed to members of their own sex." He stated, "I first discovered this sexual urge present in me during the last year I was in the

Navy, approximately 1948." He stated that he had his first homosexual experience at the end of 1946 (R., p. 190). Thereafter he had further "experiences" (1946 and 1948). "I had no more than a dozen experiences at the most." "After 1948 these experiences occurred approximately once or twice a month." "In the last two years I have had approximately five or six homosexual experiences." While he was in the Navy, he says he engaged in hetero-sexual experiences, and his last relationship with a female was "approximately three years ago."

Petitioner's argument is that the evidence does not at all establish that petitioner is "indeed a homosexual." Dr. Beittel is quoted (R., p. 117), in response to the question:

"In other words, as you sit there now you wouldn't positively state that Mr. Lavoie is a homosexual?

A. No, I wouldn't."

But in the Record, page 120:

- "Q. * * * Your attitude toward Mr. Lavoie at the present time, you wouldn't want to positively state that he either is or is not—either, one, a homosexual, or two, a sexual deviate?
 - A. No, you don't understand me.
 - Q. You feel-
 - A. I feel that he is a sexual deviate.
 - Q. You feel that he is a sexual deviate?
 - A. Yes.
- Q. But do you feel that to the exclusion of any aspect of homosexuality?
- A. Homosexuality is one of the sexual deviations."

Dr. Beittel was unequivocal that petitioner is a sexual deviate. Dr. Diamond agreed that petitioner had deviated sexually. (R., p. 172.) The Special Inquiry Officer, after referring to the Board of Immigration Appeals decision in *Matter of S*—, 8 I & N Dec.409, wherein it indicated that in determining whether a person was within the class of homosexuals, the term could be applied as it is commonly understood, then found: "I find, in the instant case, that the respondent having engaged in homosexual acts over an extended period of time, is a homosexual. As such, he is a sexual deviate and deportable as a member of the class of aliens afflicted with psychopathic personality at the time of entry." (R., p. 19.)

From the record, the term "'psychopathic personality' has no precise medical meaning", according to the psychiatrists. (R., p. 34.) Reference to Dr. Cleckley's book "The Mask of Sanity," mentioned by petitioner's attorney (R., p. 118) discloses the following on page 28:

"In a revision of the psychiatric nomenclature (1952) the term psychopathic personality was officially replaced by sociopathic personality. Since then the informal term, sociopath, has often been used along with the older and more familiar psychopath to designate a large group of seriously disabled people, listed with other dissimilar groups under the heading personality disorder. In this book I will use the older term psychopath and the newer and less familiar term sociopath interchangeably and to indicate the same disorder."

The Board of Immigration Appeals in its order of May 6, 1964 (R., p. 63) remanded the case in order to have included in the record the pertinent section of the United States Public Health Service Manual for the Medical Examination of Aliens and for characterization of petitioner's disorder by both psychiatrists (R., p. 68).

The pertinent portion of the Manual is on page 6-5 (R., p. 24), and is quoted as follows:

"Psychopathic personality a. The legal term 'psychopathic personality,' is equivalent to the medical designation 'personality disorder' which may be broadly defined as follows: 'These disorders are characterized by developmental defects or pathological trends in the personality structure, with minimal subjective anxiety and little or no distress. In most instances, the disorder is manifested by a life-long pattern of action or behavior (acting out) rather than by mental or emotional symptoms.' An example of such a certificate is Class A, Psychopathic personality, Inadequate personality. b. Under this legal category will be classified those applicants who are diagnosed as sexual deviates..."

All that is necessary for a certification of psychopathic personality is a finding of homosexuality or sexual deviation. As the Court of Appeals for the Fifth Circuit pointed out in *Quiroz v. Neelly*, 291 F.2d 906, on page 907:

"Whatever the phrase 'psychopathic personality' may mean to the psychiatrist, to the Congress it was intended to include homosexuals and sex perverts. It is that intent which controls here."

The record adequately supports the order of deportation.

II. RESPONDENT IS AN ACKNOWLEDGED MEMBER OF A CLASS OF ALIENS (SEXUAL DEVIATE) WHOM CONGRESS INTENDED TO EXCLUDE FROM THIS COUNTRY BY SECTION 212(a)(4) AS SHOWN BY THE LEGISLATIVE HISTORY OF THAT SECTION.

"That Congress intended the term '[a]liens afflicted with psychopathic personality,' as used in Section 212(a)(4) of the 1952 Immigration and Nationality Act, to include homosexuals and other types of sexual deviates is conclusively demonstrated by the legislative history of the section.

"The pertinent history here reviewed is also cited in Judge Frank's concurring opinion in *United States v. Flores-Rodriguez*, 237 F.2d 405, 412-413, n. 2 (C.A. 2), as well as in *Matter of P*——, 7 I & N Dec. 258, 261-264 (1956). In view of the unambiguous legislative history, the courts which have considered the question have had no difficulty in concluding that aliens 'afflicted with psychopathic personality', as the term is used in Section 212(a)(4), includes aliens who are homosexuals. See *Quiroz v. Neelly*, 291 F.2d 906 (C.A. 5); *United States v. Flores-Rodriguez*, 237 F.2d 405, 412-416 (C.A. 2) (concurring opinion); *Ganduxe y Marino v. Murff*, 183 F.Supp. 565 (S.D.N.Y.), affirmed sub nom. Ganduxe y Marino v. Esperdy, 278 F.2d 330 (C.A. 2), certiorari denied, 364 U.S. 824."

The term first appeared in the immigration laws in the 1952 Act. Under prior law, the corresponding term, describing a class of aliens excludable because of a psychopathic disorder, had been "persons of constitutional psychopathic inferiority" (Act of February 5, 1917, §3, 39 Stat. 875, as amended, 8 U.S.C. (1946 ed.) 136(a)). In addition, persons who were found to be, and certified as, "mentally * * * defective" were excludable under then existing law (id., 8 U.S.C. (1946 ed.) 136(d)). In 1950, a subcommittee of the Senate Committee on the Judiciary, in a comprehensive study of the immigration laws, reported:

"The present clauses excluding mentally and physical defective aliens, with three exceptions, are sufficiently broad to provide adequate protection to the population of the United States, without being unduly harsh or restrictive. The subcommittee believes, however, that the purpose of the provision against 'persons with constitutional psychopathic inferiority' will be more adequately served by changing that term to 'persons afflicted with psychopathic personality', and that the classes of mentally defectives should be enlarged to include homosexuals and other sex perverts. * * *"[S. Rep. 1515, 81st Cong., 2d sess., The Immigration and Naturalizations Systems of the United States, Report of the Committee on the Judiciary Pursuant to S. Res. 137, 80th Cong., 1st sess., as amended (A Resolution to Make an Investigation of the Immigration System), April 20, 1950, p. 345.]

(PP) As a result of this study, S. 3455, 81st Cong., 2d sess., was introduced in the Senate on April 20, 1950. Section 212(a) of the bill provided in pertinent part:

Sec. 212. (a) The following classes of aliens shall be excluded from admission into the United States:

(1) Aliens who are idiots, imbeciles, feeble-minded, epileptics, or insane;

(3) Aliens afflicted with psychopathic personality;

(7) Aliens who are homosexuals or sex perverts;

(8) Aliens not comprehended within any of the foregoing classes who are certified by the examining surgeon as having a mental defect * * *.

S. 716, 82d Cong., 1st sess., a revised version of S. 3455, introduced on January 29, 1951, was identical with the earlier bill in relevant part. However, when S. 2550, 82d Cong., 2d sess., a further modification of the predecessor bills, was introduced on January 29, 1952, the above-quoted subsection had been dropped and Section 212(a), phrased as it was later enacted into law, provided, in pertinent part, as follows:

Sec. 212. (a) Except as otherwise provided in this Act, the following classes of aliens shall be ineligible to receive visas and shall be excluded from admission into the United States:

- (1) Aliens who are feeble-minded;
- (2) Aliens who are insane;

(4) Aliens afflicted with psychopathic personality, epilepsy, or a mental defect;

In explanation of the omission of the category '[a]liens who are homosexuals or sex perverts', which had appeared in the predecessor bills, the committee report accompanying S. 2550 stated (S. Rep. 1137, 82d Cong., 2d sess., p. 9):

Existing law does not specifically provide for the exclusion of homosexuals and sex perverts. The provisions of S. 716 which specifically excluded homosexuals and sex perverts as a separate excludable class does not appear in the instant bill. The Public Health Service has advised that the provision for the exclusion of aliens afflicted with psychopathic personality or a mental defect which appears in the instant bill is sufficiently broad to provide for the exclusion of homosexuals and sex perverts. This change of nomenclature is not to be construed in any way as modifying the intent to exclude all aliens who are sexual deviates. [Emphasis added.]

The advice of the Public Health Service mentioned in this Report appears in H. Rep. 1365, 82d Cong., 2d sess., accompanying H.R. 5678 (the bill which was eventually enacted). The Service was commenting on the 'medical aspects' of H.R. 2379, 82d Cong., 1st sess., a predecessor bill and companion to S. 716. Like S. 716, H.R. 2379 included as separate excludable categories, '[a]liens afflicted with psychopathic personality,' '[a]liens who are homosexuals or sex perverts,' and aliens not within either of those classes (or other class specified in the bill) who were certified by the examining physician as having 'a mental defect.' The Public Health Service recommended that

'[a]liens who are homosexuals or sex perverts' be eliminated as a separate category, and that the language of the bill be changed to read, in pertinent part, '[a]liens afflicted with psychopathic personality * * * or a mental defect'—the phraseology ultimately enacted (H. Rep. 1365, 82d Cong., 2d sess., p. 46). The Service indicated in an accompanying explanatory comment its belief that the suggested language would encompass the objective of the bill as reflected in the three separate categories referred to above, and its understanding that homosexuality and sex perversion, where clearly manifested, are ordinarily to be considered as types of psychopathic personality (id., p. 47).

The relevant portion of the Public Health Service report are set forth in Appendix III.

The House Judiciary Committee, in reporting out H.R. 5678 (in the form in which it was enacted into law, so far as is relevant), indicated that it had followed the Public Health Service's recommendations (id., p. 48).

It thus conclusively appears from the legislative history of the 1952 Act that Congress intended the phrase '[a]liens afflicted with psychopathic personality' in Section 212(a)(4) to include within its scope homosexuals and other sexual deviates. And since respondent, as we have seen, is admittedly a sexual deviate and homosexual, and was such at entry, it follows that he is a member of a class of aliens whom Congress decided to exclude.

III. THE STATUTE UPON THE BASIS OF WHICH THE PETITIONER WAS ORDERED DEPORTED IS NOT VOID FOR VAGUENESS, EITHER ON ITS FACE OR AS APPLIED TO THE PETITIONER.

The petitioner relies on the opinion of this Court in Fleuti v. Rosenberg, supra, although the Supreme Court on the application of the Solicitor General granted certiorari in this case; the judgment of this Court declaring the order of deportation of Fleuti void was affirmed, but on grounds other than those upon which the petition for certiorari was made.

A. The constitutional requirement of fair warning applies to statutes regulating conduct or imposing sanctions upon conduct, but does not apply to a statute, such as Section 212(a)(4), which merely prescribes standards for the admission of aliens.

The requirement that a statute be clear and definite is based upon two fundamental considerations: (1) Statutes guide courts and administrative tribunals in the adjudication of various rights, duties and liabilities; (2) they may also serve as guides to the individuals subject to them in planning their future conduct.

1. As guides to adjudication, statutes must be sufficiently definite to provide judges, juries and administrative tribunals with adequate standards for enforcing the legislative mandate uniformly and consistently in accordance with the legislative intent. United States v. Petrillo, 332 U.S. 1, 7; Minnesota v. Probate Court, 303 U.S. 270; Mahler v. Eby, 264 U.S. 32, 40-41. A deportation statute, like any other, can

be challenged on the ground that it provides neither the administrative authorities nor the courts with any reliable basis for determining what classes of aliens are deportable and thus improperly leaves the selection of deportable aliens to the caprice of administrative officials. But such a challenge cannot be made in reliance on the face of the statute alone. It is the courts' function to construe the statute to ascertain what the legislature intended by the words it used; in determining the legislative intent the courts may consider any relevant evidence, including the legislative history of the provisions in question. Thus, the courts, in construing the coverage of the federal laws relating to exclusion and deportation, have frequently consulted the legislative history, historical background and similar materials for the purpose of ascertaining more precisely the types of persons Congress intended to encompass within a specified excludable or deportable class. Rowoldt v. Perfetto, 355 U.S. 115, 120; Galvan v. Press, 347 U.S. 522, 526-528; Knauff v. Shaughnessy, 338 U.S. 537, 545-547, Holy Trinity Church v. United States, 143 U.S. 457, 463-465.

As we have shown, the legislative history of the statutory provision in question shows beyond a doubt that the Congress intended to exclude persons afflicted with the psychophysiological disorder with which the petitioner is afflicted—sexual deviation. The primary function of the requirement of definiteness—the facilitation of adjudication—is thus fulfilled in this case. The differences of opinion among psychiatrists as to the precise meaning and scope of the term "psy-

chopathic personality" are not material. Reference is again made to the citation above of *Quiroz v. Neelly*, and the Court's observation:

"Whatever the phrase 'psychopathic personality' may mean to the psychiatrist, to the Congress it was intended to include homosexuals and sex perverts. It is that intent which controls here."

It is not necessary for the purposes of this case to delineate the full scope of the phrase "afflicted with psychopathic personality" as used in Section 212(a) (4). It is enough that the legislative history establishes that Congress intended it to cover persons with the particular disorder—sexual deviation—with which respondent is afflicted. That there may be doubt as to the applicability of the term to persons with other types of psychophysical defects or disorders is not a reason for failing to apply it here.

2. Although statutes must guide adjudication, some must serve in addition to give guidance to individuals with respect to their future conduct. Many statutes require the performance or avoidance of specified acts. Elementary fairness requires that such acts be described in the statute with sufficient precision to give the individual adequate notice of what conduct he must either perform or avoid. It is with respect to this function of statutes that the void-forvagueness principle had its origin and with which it has been most often concerned. *United States v. Harriss*, 347 U.S. 612; *Jordan v. De George*, 341 U.S. 223, 232.

The rule that a person is entitled to know before he acts just what conduct the law forbids or requires has no application, however, to the present case. Here the statutory ground for expulsion is not the alien's conduct after entry, but his condition at the time of entry. Congress has plenary authority to make rules and regulations for the admission of aliens, and to establish categories of aliens who shall be excluded or deported, either absolutely or on such conditions as it may prescribe. The Chinese Exclusion Case, 130 U.S. 581: Fong Yue Ting v. United States, 149 U.S. 698: Knauff v. Shaughnessy, supra; Carlson v. Landon, 342 U.S. 524; Harisiades v. Shaughnessy, 342 U.S. 580. This authority includes without question the power to exclude aliens applying for admission whom Congress deems undesirable because of some mental or physical condition, and to direct their deportation if their inadmissibility is discovered only after entry has been effected. Section 212(a) is in large measure a catalog of such disqualifying conditions. These provisions of the statute are in no sense guides to conduct, and the application to them of the principle requiring definiteness in behavior-governing statutes can have no rational justification. The deportation provision of Section 241(a)(1), geared to inadmissibility under Section 212(a)(4), requires the determination of only one question: What was the alien's condition at the time of entry? If it is found, by the requisitive evidence, that the alien was then afflicted with psychopathic personality, in the sense that Congress used the term, deportability is established.

The void-for-vageness doctrine is a canon of fairness designed to insure that no person shall incur a sanction, civil or criminal, for failure to conform his conduct to a statutory rule of action seeking to regulate his future behavior, unless the command of the statute is sufficiently clear that persons of normal intelligence will know what conduct is forbidden and what allowed. It is not a device to enable persons having different characteristics, physical or psychological, or suffering from specified physical or mental disorders or defects to conduct themselves so as to avoid making these conditions manifest.

B. There is no constitutional requirement that Congress, which may enact grounds of deportation retroactively, must make grounds of deportation clear on their face.

Even if the petitioner had been ordered deported because of his post-entry conduct, and not, as is plainly clear, because of his excludable status at the time of entry, he could not object to the lack of clarity of the deportation statute on its face.

An alien whom the Government seeks to deport is of course entitled as a matter of procedure due process, to notice of the charges he must face at the deportation hearing, but it does not follow that before he can become liable to deportation Congress must first warn him of the classes which are deportable, so that he may guide himself accordingly. The Supreme Court and this Court have repeatedly held that Congress may enact grounds of deportation retroactively, and thereby render an alien deportable for past con-

duct which did not entail deportability when it occurred.

Harisiades v. Shaughnessy, supra; Galvan v. Press, supra; Marcello v. Bonds, 349 U.S. 302; Fuentes-Torres v. INS, supra.

Under these decisions it is, we believe, settled that Congress could pass a statute retroactively making the term "homosexual conduct" within the United States grounds for deportation. As mentioned above, Congress on October 31, 1965, P.L. 89-236, Section 15(b), amended Section 212(a)(4), (8 USC 1182(a)(4)), by deleting the word "epilepsy", and substituting the words "or sexual deviation."

C. Section 212(a)(4) interpreted in the light of its legislative history provided adequate notice that an alien who is homosexual, a sexual deviate, is not admissible to the United States, and may be deported if erroneously admitted.

Finally, even if the constitutional requirement of fair warning were not wholly inapplicable to a deportation proceeding, turning on whether the alien was properly admitted to the United States, this requirement would plainly be far less stringent in a case such as this than where the statute is required to give notice of criminal sanctions. Thus the type of notice constitutionally required prior to deportation of an alien such as petitioner would have to be determined in light of the following: petitioner is being deported because he was improperly admitted, and not on the basis of his conduct in the United States; he was entitled to no warning of the requisite standards for

admission; Congress may retroactively and thus entirely without warning make even post-entry conduct grounds for revocation of its permission for the alien to remain in the United States.

It is submitted that there can be no constitutional requirement that Section 212(a)(4) be plain on its face, without recourse to its legislative history.

IV. PETITIONER WAS NOT DENIED DUE PROCESS OF LAW.

Petitioner argues that the doctrine of Massiah v. United States, supra, and Escobedo v. Illinois, supra, apply in deportation proceedings. These cases govern criminal prosecution. Deportation is not a criminal proceeding. It is a civil proceeding.

McLeod v. INS, 327 F.2d 453 (1964);
 Fuentes-Torres v. INS (1965), supra;
 Ben Huie v. INS, C.A. 9, August 18, 1965, supra.

There is nothing in the record indicating the statements of petitioner were induced by coercion, duress, or other improper action on the part of respondent.

Petitioner on page 18 of his brief cites the Second Circuit decision of Sherman v. Immigration and Naturalization Service, 34 U.S.L. Week 2169-2170, September 22, 1965. On January 26, 1966, after rehearing en banc, the Court denied the petition of Joseph Sherman to review the order of the Immigration and Naturalization Service, for the reasons stated in Judge Friendly's dissenting opinion, 350 F.2d at 900.

Judges Waterman and Smith dissented and voted to grant the petition and set aside the deportation order for the reasons stated in Judge Waterman's opinion, 350 F.2d 894.

CONCLUSION

It is respectfully submitted that the final order of deportation should be affirmed.

Dated, January 28, 1966.

Respectfully submitted,

CECIL F. POOLE,

United States Attorney,

By CHARLES ELMER COLLETT,

Assistant United States Attorney,

Attorneys for Respondent.

CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

CHARLES ELMER COLLETT,
Assistant United States Attorney,
Attorneys for Respondent.

(Appendices Follow)





Appendix I

United States Department of Justice Immigration and Naturalization Service

File: A10 767 234 San Francisco, California, March 11, 1965

In The Matter of Gerard Joseph Lavoie, Respondent.

In Deportation Proceedings

Charge:

Section 241(a)(1) of the I & N Act—excludable at time of entry under Section 212(a)(4) as one afflicted with psychopathic personality

Application: Termination of the proceedings

In Behalf of Respondent: In Behalf of the Service:

George R. Andersen, Esq. Stephen K. Suffin, Esq. 240 Montgomery Street, Trial Attorney,

San Francisco, California San Francisco, California

DECISION OF THE SPECIAL INQUIRY OFFICER

On January 30, 1964 I entered a decision ordering that the respondent be deported from the United States on the charge set forth in the Order to Show Cause. Two doctors had appeared before me and testified; one Dr. Daniel Beittel, a staff psychiatrist of the United States Public Health Service, who had

executed a medical certificate certifying that the respondent was afflicted with psychopathic personality at the time of his entry, was produced for cross-examination at the request of the respondent; the other, Dr. Bernard Diamond, was called as a witness by the respondent. Both agreed that the respondent was not a homosexual, but was a sexual deviate. However, Dr. Beittel was of the opinion that the respondent's condition was the result of a personality disorder; Dr. Diamond diagnosed the respondent's condition as a neurotic reaction symptomatized by his homosexual acts.

In my decision I referred to the fact that the testimony of the expert witnesses as to the cause of the respondent's condition was irrelevant to the question of his deportability because, as pointed out by the Court in Quiroz v. Neelly, 291 F.2d 906, "Whatever the phrase 'psychopathic personality' may mean to the psychiatrist, to the Congress it was intended to include homosexuals and sex perverts." I went on to say that a person who had engaged in homosexual acts twelve to twenty-four times a year for a period of at least eleven years, was a sexual deviate irrespective of the mental condition which caused them and was within the definition Congress intended to apply to the term "psychopathic personality."

The respondent appealed from my decision, and on May 6, 1964 the Board of Immigration Appeals ordered that the case be remanded "to have included in the record the pertinent section of the United States Public Health Service Manual for the Medical

Examination of Aliens and for characterization of the respondent's disorder by both psychiatrists in the light thereof. Further testimony should be taken as to what pattern determines a sexual deviate or homosexual."

At the reopened hearing Dr. Beittel was recalled as a witness. He reaffirmed his position that within the meaning of the pertinent section of the Manual for Medical Examination of Aliens1 the respondent was afflicted with psychopathic personality. Dr. Diamond was not recalled by the respondent presumably because of the "weighty" expense involved.

After review of the entire testimony of Doctors Beittel and Diamond I can understand the stricture in the opinion of Judge Frank in U.S. v. Flores-Rodriguez, 237, F.2d 405, a case involving the same condition present here, about needlessly embarking "without a pilot, rudder, compass or radar on an amateur's voyage on the fog-enshrouded sea of psvchiatry." Although a good deal of their testimony only served to confuse me, I did get out of it that they agreed that the phrase "psychopathic personality"

"(b) Under this legal category will be classified those applicants who are diagnosed as sexual deviates."

¹The pertinent Section of the Manual for Medical Examination of Aliens reads as follows: "(a) The legal term 'psychopathic personality' is equivalent to the medical designation 'personality disorder.' which may be broadly defined as follows: 'These disorders are characterized by developmental defects or pathological trends in the personality structure, with minimal subjective anxiety and little or not distress. In most instances, the disorder is manifested by a lifelong pattern of action or behavior (acting out), rather than by mental or emotional symptoms.' An example of such a certificate is Class A, Psychopathic personality, Inadequate personality."

has no precise medical meaning and that "homosexual" is not a medical term.

The Manual for Medical Examination of Aliens refers to "psychopathic personality" as a legal term. Whether a person is so afflicted is a legal issue. If, as testified to by the medical experts "psychopathic personality" and "homosexual" are not medical terms, any testimony concerning such conditions is without the scope of their special competence and is of little value in resolving the issue.

Actually, as indicated by Quiroz v. Neely, supra, "psychopathic personality" have become words of art which, whatever else they might mean, include homosexuals and sex perverts. A practical approach to determining whether a person was afflicted with "psychopathic personality" was employed by the Board of Immigration Appeals in Matter of S-, 8 I. & N. Dec. 409. In that case there was also a great deal of medical testimony as to whether the alien, who had engaged in repeated homosexual acts over a period of four years, was, in fact, a homosexual. The Board, in effect, disregarded all of the experts' testimony. It indicated on page 415 that in determining whether a person was within the class of homosexuals. the term should be applied as it is commonly understood.2 It pointed out that the alien in that case had engaged in homosexual acts on many occasions over some years and then went on to say, "If this man is

²In Matter of P—, 7 I. & N. Dec. 258, the Board defined homosexuality "as a perversion characterized by the desire for sexual relations with members of the same sex."

not a homosexual, we would find it difficult to hold that anyone is a homosexual." It concluded that he was afflicted with "psychopathic personality."

I find, in the instant case, that the respondent having engaged in homosexual acts over an extended period of time, is a homosexual. As such, he is a sexual deviate and deportable as a member of the class of aliens afflicted with psychopathic personality at the time of entry. His deportation will again be ordered.

It is Ordered that the respondent be deported from the United States to Canada on the charge set forth in the Order to Show Cause.

> /s/ Chester Sipkin, Chester Sipkin, Special Inquiry Officer.

Appendix II

United States Department of Justice Board of Immigration Appeals

May 28, 1965

File: A-10767234—San Francisco

In re: Gerard Joseph Lavoie
In Deportation Proceedings

Appeal

On Behalf of Respondent: George R. Anderson, Esq.

240 Montgomery Street San Francisco, California

(Brief filed)

On Behalf of I&N Service: Stephen M. Suffin

Trial Attorney
(Brief filed)

Charges:

Order: Section 241(a)(1), I&N Act (8 USC 1251

(a)(1))—Excludable at time

of entry—afflicted with psychopathic personality

Lodged: None

Application: Termination of the proceedings

The case comes forward on appeal from the order of the special inquiry officer dated March 11, 1965 again ordering that the respondent be deported from the United States to Canada on the charge set forth in the Order to Show Cause.

The case was previously before us on appeal from the order of the special inquiry officer dated January 30, 1964 ordering respondent deported on the charge set forth in the Order to Show Cause. The record relates to a native and citizen of Canada, 41 years old, male, single, who entered the United States for permanent residence at Noves, Minnesota, on January 26, 1960. He last entered the United States at Noves, Minnesota on or about May 5, 1960 as a returning resident. The Order to Show Cause charges that the respondent was a sexual deviate at the time of his entries and is subject to deportation under Section 241(a)(1) of the Immigration and Nationality Act, in that, at time of entry he was within one or more of the classes of aliens excludable by the law existing at the time of such entry, to wit, aliens afflicted with psychopathic personality, under Section 212(a)(4) of the Act.

At prior hearings there was introduced into the record a statement taken from the respondent dated August 30, 1961 to the effect that he was homosexual according to his interpretation of the term "homosexual" which meant to him a person whose sexual perversions are directed to members of his own sex; that he had had his first homosexual experience at the end of 1946 in Winnipeg, Manitoba, Canada; during 1946, 1947 and 1948 he had more than a dozen experiences; after 1948 until 1959 these experiences occurred once or twice a month; in the last two years prior to the making of the statement he had five or six such experiences. Doctor Beittel, a staff psychiatrist of the

United States Public Health Service stated that the respondent had been a sexual deviate at least since 1946 and certified that the respondent was a sexual deviate in January of 1960 at least up to the time of his arrest, based upon an interview of approximately 60 minutes, although he concluded that from a psychiatric point of view, the alien could more accurately be described as a sexual deviate manifested by autoeroticism and homo-eroticism. This witness stated that he was compelled by the directives of the United States Public Health Service Manual to classify the respondent on the basis of his diagnosis of sexual deviate and history of homosexuality as a psychopathic personality.

At prior hearings the respondent produced as a witness in his behalf Doctor Diamond, a specialist in psychiatry, who testified that he had spent eight hours over a period of eight weeks in examining and treating the respondent. His testimony is to the effect that the respondent was not afflicted with psychopathic personality or a character disorder but was suffering from a neurotic conflict over sex, whose symptoms were manifested by his homosexuality. He rejected the description of psychopathic personality as obsolete from a psychiatric viewpoint. He also testified that homosexuality is not an appropriate medical term, that there was no such diagnosis as homosexuality, and that from a psychiatric standpoint the respondent was not a homosexual. This doctor conceded that the respondent's sexual behavior was abnormal and a deviation from acceptable normal standards.

In our previous order of May 6, 1964 we quoted from Senate Report No. 1137 (82nd Congress, 2d Session, January 29, 1952) indicating that the Public Health Service had advised that the provisions for the exclusion of aliens afflicted with psychopathic personality or a mental defect is sufficiently broad to provide for the exclusion of homosexuals and sex perverts and that the change of nomenclature is not to be construed in any way as modifying the intent to exclude all aliens who are sexual deviates. Whatever the phrase "psychopathic personality" might mean to the psychiatrist, to the Congress it was intended to include homosexuals and sex perverts.

We remanded the case in order to have included in the record the pertinent section of the United States Public Health Service Manual for the Medical Examination of Aliens and for characterization of the respondent's disorder by both psychiatrists in the light thereof, to take further testimony as to what pattern determines a sexual deviate or homosexual and to evaluate the evidence to determine whether a preponderance of the evidence establishes the charge.

At the reopened hearing held on October 1, 1964 only Doctor Beittel appeared as a witness. He reaffirmed his position that within the meaning of the pertinent section of the Manual for Medical Examina-

¹Matter of P—, 7 I&N Dec. 258; Matter of S—, 8 I&N Dec. 409; Matter of R—, 9 I&N Dec. 393; United States v. Flores-Rodriguez, 237 F. 2d 405 (2d Cir., 1956); Harb-Quiroz v. Neely, 291 F. 2d 906 (5th Cir., 1961).

tion of Aliens the respondent was afflicted with psychopathic personality.²

The testimony of the psychiatric witnesses has served only to compound the confusion inasmuch as both appear to agree that the phrase "psychopathic personality" has no precise medical meaning and that "homosexual" is not a medical term. This difficulty however is recognized both in the legislative history previously referred to and in the Manual for Medical Examination of Aliens itself. As emphasized in the legislative history, the term "psychopathic personality" was understood to be broad enough to provide for the exclusion of homosexuals and sex perverts and was not to be construed in any way as modifying the intent to exclude all aliens who are sexual deviates. We are not concerned with the niceties of semantic differences indulged in by psychiatrists. The words. "psychopathic personality" have become words of

²The Manual for Medical Examination of Aliens (1963) 6-5, which deals with psychopathic personality reads as follows:

(b) Under this legal category will be classified those applicants who are diagnosed as sexual deviates. In the medical examination of aliens this is a difficult diagnosis to establish. However, the examiner should assist the consular officer when possible when evaluating an applicant

thought to come in this category.

⁽a) The legal term "psychopathic personality" is equivalent to the medical designation "personality disorder," which may be broadly defined as follows: "These disorders are characterized by developmental defects or pathological trends in the personality structure, with minimal subjective anxiety and little or no distress. In most instances, the disorder is manifested by a lifelong pattern of action or behavior (acting out), rather than mental or emotional symptoms." An example of such a certificate is Class A, Psychopathic personality, Inadequate personality.

art which, whatever else they might mean, include homosexuality and sex perverts and the term is applied as it is commonly understood. We conclude that the government has borne the burden of establishing that the respondent is deportable on the charge stated in the Order to Show Cause.

The main thrust of counsel's argument is that the statute upon which the proceeding is based is unconstitutional and unconstitutionally applied as determined by the court in *Fleuti v. Rosenberg*, 302 F. 2d 652 (9th Cir., 1962). However, on appeal, the constitutional question was bypassed, the decision below vacated and the case was decided on other grounds by the Supreme Court.⁴ The constitutional question therefore remains unresolved and this is not the proper forum in which to try that question. The appeal will be dismissed.

Order: It is ordered that the appeal be and the same is hereby dismissed.

Thomas J. Griffin Acting Chairman

³Harb-Quiroz v. Neely, 291 F. 2d 906 (5th Cir., 1961); Matter of S—, 8 I&N Dec. 409.

⁴Rosenberg v. Fleuti, 374 U.S. 449, 10 L.ed. 2d 1000 (1963).

Appendix III

Report of the Public Health Service on the medical aspects of H.R. 2379, a bill to revise the laws relating to immigration, naturalization, and nationality, and for other purposes (H. Rep. 1365, 82d Cong., 2d sess., pp. 46-48):

It is recommended that the following classes of aliens shall be ineligible to receive visas and shall be excluded from admission into the United States:

- 1. Aliens who are idiots, imbeciles, or morons.
- 2. Aliens who are insane.
- 3. Aliens who have had one or more attacks of insanity.
- 4. Aliens afflicted with psychopathic personality, epilepsy, or a mental defect.
- 5. Aliens who are narcotic drug addicts or chronic alcoholics.
- 6. Aliens who are afflicted with tuberculosis in any form, or with leprosy or any other dangerous contagious disease.
- 7. Aliens certified by the examining surgeon as having a physical defect, disease, or disability, when determined by the consular or immigration officer to be of such a nature that it may affect the ability of the alien to earn a living.

The following comments are submitted:

Psychopathic personality.—Some comments should be expressed regarding the term "psychopathic personality." Although the term "pys-

chopathic personality," used in classifying certain types of mental disorders, is vague and indefinite. no more appropriate expression can be suggested at this time. The conditions classified within the group of psychopathic personalties are, in effect, disorders of the personality. They are characterized by developmental defects or pathological trends in the personality structure manifest by lifelong patterns of action or behavior, rather than by mental or emotional symptoms. Individuals with such a disorder may manifest a disturbance of intrinsic personality patterns, exaggerated personality trends, or are persons ill primarily in terms of society and the prevailing culture. The latter or sociopathic reactions are frequently symptomatic of a severe underlying neurosis or psychosis and frequently include those groups of individuals suffering from addiction or sexual deviation. Until a more definitive expression can be devised, the term "psychopathic personality" should be retained.

Epilepsy.— * * *

Sexual perverts.—The language of the bill lists sexual perverts or homosexual persons as among those aliens to be excluded from admission to the United States. In some instances considerable difficulty may be encountered in substantiating a diagnosis of homosexuality or sexual perversion. In other instances where the action and behavior of the person is more obvious, as might be noted in the manner of dress (so-called transvestism or fetishism), the condition may be more easily substantiated. Ordinarily, a history of homosexuality must be obtained from the individual, which he

may successfully cover up. Some psychological tests may be helpful in uncovering homosexuality of which the individual, himself, may be unaware. At the present time there are no reliable laboratory tests which would be helpful in making a diagnosis. The detection of persons with more obvious sexual perversion is relatively simple. Considerably more difficulty may be encountered in uncovering the homosexual person. Ordinarily, persons suffering from disturbances in sexuality are included within the classification of "psychopathic personality with pathologic sexuality." This classification will specify such types of pathologic behavior as homosexuality or sexual perversion which includes sexual sadism, fetishism, transvestism, pedophilia, etc. In those instances where the disturbance in sexuality may be difficult to uncover, a more obvious disturbance in personality may be encountered which would warrant a classification of psychopathic personality or mental defect.

Mental defect.—The utilization of the term "mental defect" serves a very useful purpose and should be continued within the language of the bill. It should be pointed out that in using this expression, "mental defect," it has or bears no relationship to mental deficiency which is related to the intellectual status of the individual. The term "mental defect," although broad and sweeping, is a safeguard for classifying those aliens who would not fit into the categories listed above. For example, there is a fairly large group of hereditary disturbances which at the time of examination could not be included in the above classification. This expression could also be

utilized in classifying progressive personality disorders which occur in such conditions as infections of the nervous system; for example, in behavior disorders of epidemic encephalitis. Such a term could also be used to cover the more severely disabling neuroses and conduct and habit disorders of adults and children. It can be used in classifying those persons who are likely to be brought into repeated conflict with social customs, authority, or society in general. It is, therefore, recommended that the expression "as having a mental defect" be retained within the language of the bill.

* * * * *



No. 20,220

IN THE

United States Court of Appeals For the Ninth Circuit

GERARD JOSEPH LAVOIE,

Petitioner.

VS.

United States Immigration and Naturalization Service,

Respondent.

OPENING BRIEF FOR PETITIONER

GLADSTEIN, ANDERSON, LEONARD & SIBBETT, NORMAN LEONARD, 1182 Market Street, San Francisco, California 94102,

Attorneys for Petitioner.



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IN THE

United States Court of Appeals For the Ninth Circuit

GERARD JOSEPH LAVOIE,

Petitioner,

VS.

UNITED STATES IMMIGRATION AND NATURALIZATION SERVICE,

Respondent.

OPENING BRIEF FOR PETITIONER

INTRODUCTION

This is a petition for the review of an order of the Immigration and Naturalization Service (hereinafter "the Service") directing petitioner's deportation to Canada. The order was grounded on a finding that petitioner was an alien "afflicted with psychopathic personality" (Sections 241[a] [1] and 212[a] [4] of the Immigration and Nationality Act [hereinafter "the Act"], 8 USCA §§ 1251 [a] [1] and 1182[a] [4]).

The contentions of petitioner are:

1. That the conclusion that he was "afflicted with psychopathic personality" is not supported by "rea-

sonable, substantial, and probative evidence" (Section 242[b] [4] of the Act, 8 USCA 1252[b] [4]).

- 2. That the statute upon the basis of which his deportation was ordered is void for vagueness on its face and as applied to him (*Fleuti v. Rosenberg*, 302 F. 2d 652).
- 3. That evidence was obtained from him in violation of his rights under the United States Constitution (Massiah v. United States, 377 U.S. 201; Escobedo v. Illinois, 378 U.S. 478).

JURISDICTION

This Court's jurisdiction to review the order of deportation rests upon Section 5a of the Act of September 26, 1961, 75 Stat. 651 (8 USCA 1105a). Fleuti v. Rosenberg, 302 F. 2d 652, 653 n. 1.

STATEMENT OF THE CASE

Petitioner, a national of Canada, entered the United States for permanent residence in 1960. In May or June of 1961 petitioner was arrested in San Francisco

¹The "Certified Administrative Record" (hereinafter "R."), filed herein pursuant to 72 Stat. 951 (5 USCA 1036) and 72 Stat. 941 (28 USCA 2112), reflects that petitioner's first entry was on January 26, 1960, and that his last entry was on May 5, 1960, "as a returning resident" (R. 2). There is here no problem concerning which "entry" was the critical one such as was presented in Rosenberg v. Fleuti, 374 U.S. 499, since there is here no question of the application of different statutory standards between January and May of 1960.

and ultimately pleaded guilty in the Municipal Court to the charge of violating a section of the Police Code (R. 60) relating to lewd and indecent acts.² This arrest "precipitated [the] deportation proceeding" (R. 164). The first interrogation took place in August of 1961 (R. 187). Thereafter, the Service issued an Order to Show Cause directed against petitioner (R. 185), hearings were held, and the Special Inquiry Officer made an order directing petitioner's deportation (R. 96-101). On appeal, the Board of Immigration Appeals remanded the case "for the purpose of clarity" in order to have included in the record certain excerpts from a United States Public Health Service manual and for the "characterization of the respondent's [petitioner's] disorder" in the light thereof (R. 68). After further hearings the Special Inquiry Officer again ordered deportation (R. 16-19) and this time the Board of Immigration Appeals dismissed the appeal (R. 2-6), rejecting petitioner's contentions which are the same as those which he makes here (compare R. 79-80, 13-14 with the Petition for Review filed herein, especially Point IX). The instant petition was timely filed and the matter is now before this Court for Decision.

²Municipal Police Code Section 215: "It shall be unlawful for any person to engage in or be a party to or to solicit or invite any other person to engage in or be a party to any lewd, indecent or obseene act or conduct."

As the Special Inquiry Officer observed, the charge "does not set forth any descriptive matter which would help us to determine whether or not he is a sex deviate. You can engage in lewd, indecent and obscene acts and be very normal as far as sexual conduct is concerned" (R. 109).

SPECIFICATION OF ERRORS

- 1. The order for deportation of petitioner is invalid because it is not based upon "reasonable, substantial, and probative evidence". Section 242(b)(4) of the Act, 8 USCA 1252(b)(4).
- 2. The execution of the order of deportation would violate the Due Process Clause of the Fifth Amendment because the statute, in using the term "psychopathic personality", is, on its face and as applied to petitioner, void for vagueness. The Service erred in failing to follow and apply this Court's decision in Fleuti v. Rosenberg, 302 F. 2d 652.
- 3. The execution of the order of deportation would violate the Due Process Clause of the Fifth Amendment because there was used against petitioner, over objection, a statement obtained from him during an interrogation in which he was not advised of his right to counsel. *Massiah v. United States*, 377 U.S. 201; *Escobedo v. Illinois*, 378 U.S. 478.

SUMMARY OF ARGUMENT

1. The evidence does not support the finding that petitioner was "afflicted with a psychopathic personality". Apart from the constitutional vagueness of the term, which is the subject of the second point of this brief, it is petitioner's contention that there is no "reasonable, substantial, and probative evidence" (8 USCA 1252[b] [4]) that petitioner is "afflicted with a psychopathic personality". The evidence in the

record demonstrates that petitioner at most is suffering from a mild neurosis as a result of which he has confused feelings and reactions with relation to sexual matters. The evidence does not demonstrate that petitioner is, in any sense of the words, a "true" homosexual or sexual deviate and certainly does not establish that he is "psychopathic".

The testimony of both psychiatrists—one produced by the Service and the other by petitioner—is in essential agreement on these underlying facts. The government psychiatrist, however, under the compulsion of a government manual, was required to characterize petitioner as psychopathic, although he expressed grave doubts about the appropriateness of the classification and the terminology used in the government manual. Furthermore, he reached this conclusion, which he himself characterized as a tentative diagnosis, on the basis of a hasty interview and considered that a more thorough examination might well have produced a different result. Such an examination over an extended period of time was conducted by Dr. Bernard Diamond, a psychiatrist with impressive credentials, who made it clear that, in no sense of the word, was petitioner psychopathic but that at most he was suffering from a mild emotional disturbance which was now under control.

2. The term "psychopathic personality" is so vague and indefinite that it gives no fair warning that persons like petitioner may fall within its terms. Its unconstitutionality for this reason was established by this Court's decision in *Fleuti v. Rosenberg*, 302 F.

2d 652, and the record in the instant case simply reinforces everything which this Court stated in its *Fleuti* opinion on the subject. Nothing has transpired in the three years since this Court decided *Fleuti* which would even suggest that the case should not now be followed.

3. At the time petitioner was first interrogated by an agent of the Service and gave testimony upon the basis of which findings adverse to him were later made, he had no counsel present and he was not advised of his right to counsel. Under the doctrine of Massiah v. United States, 377 U.S. 201, and Escobedo v. Illinois, 378 U.S. 478, evidence so obtained is inadmissible in a criminal trial. The consequences of deportation being as drastic as they are, the protections with which the Constitution surrounds criminal trials should also be applied in deportation proceedings and the statement should have been excluded.

ARGUMENT

Ι

THE EVIDENCE DOES NOT SUPPORT THE FINDING THAT PETITIONER WAS "AFFLICTED WITH A PSYCHOPATHIC PERSONALITY".

The Special Inquiry Officer "found" (1) that petitioner had "engaged in homosexual acts over an extended period of time", (2) that, therefore, petitioner was a "homosexual", (3) that "as such" petitioner was a sexual deviate, and (4) that petitioner was

therefore deportable as one "afflicted with a psychopathic personality" (R. 19).

It is submitted that the evidence does not support these findings. In this connection it must be remembered that, in Section 242(b)(4) of the Act (8 USCA 1252[b][4]), Congress has decreed that "no decision of deportability shall be valid unless it is based upon reasonable, substantial, and probative evidence". See Gastelum-Quinones v. Kennedy, 374 U.S. 469, 479; cf. Bridges v. Wixon, 326 U.S. 135, 154-156. To reach his conclusion that petitioner was deportable, the Special Inquiry Officer had to build an elaborate structure, no level of which was supported by its purported underpinning.

The evidence consists of (1) a statement made by petitioner to an agent of the Immigration and Naturalization Service (R. 187-195),⁴ (2) a written report by a government psychiatrist (R. 196-198),⁵ and

³The Court of Appeals for the Second Circuit has just recently held that in eases involving "long-time resident aliens" the government should be required to carry the even higher burden of proving "beyond a reasonable doubt" the facts upon which deportation depends. Sherman v. Immigration and Naturalization Service, F.2d, 34 U.S.L. Week, 2169-2170 (C.A.2, September 22, 1965). We need not go so far in this case. Here there is simply no "reasonable, substantial, and probative evidence" to sustain the order.

⁴When this statement, which was the basis of significant adverse findings (R. 3, 17, 63, 97), was taken, petitioner was not advised of his right to counsel (R. 104-105). See *infra*, III, for a discussion of the legal significance of this fact.

⁵The manner in which the psychiatrist's interview was procured raises disquieting questions about how the Service operates. At the time the investigator was taking the statement and when petitioner was without counsel, the petitioner was asked whether he would "be willing to discuss your problems with a United States Public Health psychiatrist" and answered that he would (R. 192).

(3) oral testimony of the government psychiatrist (R. 25 et seq. and 112 et seq.) and of a defense psychiatrist (R. 153 et seq.).6

From this entire record it is clear that petitioner, now 41 years of age, first observed, about 20 years ago, that his sexual urges were directed toward other males (R. 189) but that he did nothing about this then believing "it was just a passing phase" (ibid.). In the statement to the Immigration and Naturalization Service investigator, petitioner reported that from 1946 to 1948, he had perhaps half a dozen homosexual "experiences".7 From 1948 until 1949 he stated that he had such "experiences" at the rate of one or two a month (ibid.) and from 1959 to 1961 only a total, all told, of five or six such "experiences" (R. 190). During the same periods of time he engaged in heterosexual intercourse at least 30 times (ibid.).

During the course of that "discussion", the psychiatrist by his own admission "took advantage" of petitioner's guilt feelings about his sexual problems to secure what the psychiatrist regarded as an "admission of damaging facts" (R. 197).

In fact, as we shall see, the "admission" is not damaging at all,

as the government doctor ultimately conceded.

It is clear that when petitioner spoke of "homosexual experiences" he included other matters besides overt physical contact. He was also referring to "any kind of even thought or glance or look at another man . . ." (R. 180) that never even ripened into overt behavior.

⁶It is instructive to compare the qualifications of the two doctors. Dr. Beittel is a relatively young man whose psychiatric experience was comparatively limited (R. 113-114), while Dr. Diamond is a psychiatrist of over 20 years experience with impressive credentials both in the medical, academic and military worlds (R. 154-155). It is also instructive to note that the government psychiatrist spent a brief hour with petitioner (R. 142) and considered that if he could have had more time he might well have changed his views about petitioner (R. 37, 51, 121, 142), whereas Dr. Diamond spent at least eight times as long with petitioner over an extended period of time for both examination and treatment (R. 155).

We do not believe that this history constitutes "reasonable, substantial, and probative evidence" to support the finding that petitioner had "engaged in homosexual acts over an extended period of time". Yet upon this uncertain basis the Special Inquiry Officer erected the first level of his structure. That is, based upon this finding, he drew another finding: that petitioner was a "homosexual". However, a review of the evidence does not at all establish that petitioner is indeed a homosexual.

The government doctor reported that petitioner's characterization of himself as a homosexual was "not completely correct" (R. 197). He pointed out that petitioner's major mode of sexual gratification since puberty and continuing up to the present time had been masturbation (not homosexuality) (ibid.). In his oral testimony the government doctor made it clear that an "admission" of homosexuality such as that made by the petitioner at the time of the original interrogation was unreliable because often in these cases such an admission was simply not true (R. 119; see Dr. Diamond to the same effect at R. 174-175). The government doctor testified that he could not say that petitioner was a homosexual.

- "Q. Now, I notice in your report that you have some doubt in your mind as to whether Mr. Lavoie is a homosexual. Do I properly state that?
 - A. That's correct.
- Q. In other words, as you sit there now, you wouldn't positively state that Mr. Lavoie is a homosexual?
 - A. No, I wouldn't." (R. 117-118)

because]...[t]here are difficulties in using it in its present form" (R. 41), he nonetheless agreed that if the Service "tell[s] you that the legal term [psychopathic personality] is the equivalent of 'personality disorder'" he would accept "that" (R. 42). Yet he had just immediately previously testified that "I can't say whether it is equivalent or not" (R. 42) and he testified shortly thereafter that to make such an equivalence "doesn't make sense" (R. 45).

Furthermore, the "requirement" of the manual that every sex deviate should be certified as a psychopathic personality is totally contrary to Dr. Beittel's psychiatric training, which tells him that this is simply not true, that sexual deviation can be based upon neuroses (R. 31, 50) as well as upon "psychopathic personality" (whatever that means), and that, indeed, "the majority of homosexual behavior is on a psychoneurotic basis" (R. 55).

The conclusion that petitioner is "afflicted with a psychopathic personality" was, at best, forced upon the doctor by the "requirements" of a government manual. It is surely not supported by evidence, much less by "reasonable, substantial, and probative evidence".

We have heretofore reviewed principally the evidence produced by the government. Even unchallenged, this evidence fails to support the deportation order. When one considers also Dr. Diamond's testimony¹¹

¹¹As a result of Dr. Diamond's extensive examination, he concluded that petitioner was not afflicted with a "psychopathic personality", but rather was suffering from "an emotional disturbance,

and applies to the entire record the rule of *Universal Camera v. National Labor Relations Board*, 340 U.S. 474,¹² it becomes doubly clear that the evidence simply will not support the order. For this reason alone the order of deportation should be set aside.

TT

THE STATUTE UPON THE BASIS OF WHICH PETITIONER WAS ORDERED DEPORTED IS VOID FOR VAGUENESS ON ITS FACE AND AS APPLIED TO PETITIONER.

In Fleuti v. Rosenberg, 302 F. 2d 652, decided just three years ago, this Court squarely held:

"The conclusion is inescapable that the statutory term 'psychopathic personality', when measured

emotional illness, which I consider to be psycho-neurotic" (R. 157). Dr. Diamond found "no evidence at all of a character disorder, psychopathic or otherwise" (R. 158-159). At the most, Dr. Diamond could find that on occasion petitioner had exercised poor judgment, but that this had not been the result of a psychopathic condition but "the result of an emotional confusion about certain aspects of sexuality. I do not even regard him as a homosexual in any sense of the word" (R. 161).

The doctor pointed out the absence of factors which characterize the "true homosexual": no molesting of children, no interest in adolescents, no sustained relationships "with some abnormal individual in any perverted way", no feminine characteristics, no love affairs with men (R. 162-163). The homosexual "experience" (see n. 7, supra) were "extremely superficial, extremely casual" (R. 163) and ". . . in between the scattered homosexual contacts he has had perfectly normal relationships with women" (R. 162).

In sum, Dr. Diamond believed that petitioner had "a relatively mild type of emotional disturbance characterized chiefly by some confusion as to sexuality . . and I think we clarified this in [the] second therapeutic visits [sic]. And I think he knows quite well where he stands now . . . " (R. 169). Petitioner was (and is) willing to undergo psychiatric treatment but Dr. Diamond does not think this is now necessary (R. 168).

12"The substantiality of evidence must take into account whatever in the record fairly detracts from its weight" (340 U.S. at 488).

by common understanding and practices, does not convey sufficiently definite warning that homosexuality and sex perversion are embraced therein. Since this statutory term thus fails to meet the test to be applied in determining whether a statute is vague in the constitutional sense, we hold that the statute is void for vagueness, as applied in this case. Enforcement of the order of deportation would therefore deprive Fleuti of the due process of law." (302 F. 2d at 658)

In the instant case, the Service refused to follow this Court's view because in *Rosenberg v. Fleuti*, 374 U.S. 449, the "constitutional question was bypassed" and "therefore remains unresolved" (R. 6).¹³ We submit that this Court's decision in *Fleuti* was correct and compels the setting aside of the order in this case.¹⁴

This Court's decision in *Fleuti* resulted from a careful reading of the generally available literature dealing with the meaning of the term "psychopathic personality" (302 F. 2d at 657-658 and, especially, notes 15, 17, 18 and 19) as well as a careful review of the

¹³The Supreme Court's decision in *Fleuti* went off on a point not here involved, n. 1, supra. After the Supreme Court's remand Fleuti was again ordered deported, the Service refusing to deal with the constitutional question; however, the deportation order was suspended (Section 244 of the Act, 8 USCA 1254) and it is therefore unlikely that Fleuti's case will be before the courts again (*In the matter of George Ernst Marcel Fleuti*, Immigration and Naturalization Service, file number A 8,382,428).

¹⁴We do not consider here the points decided in *Fleuti* that the constitutional question cannot be avoided and that the void for vagueness doctrine applies to deportation statutes (302 F.2d at 654-655). The law on these points seems well settled and we do not understand the Service to challenge the *Fleuti* decision on these grounds.

testimony of the doctors in that case (302 F. 2d at 657 and, especially, notes 13 and 14).

As to the first of these matters: so far as we are aware—and so far as this record reveals—there has been no change since 1962 in the views expressed in the general literature on the subject. No one has suggested that a term which this Court found to be constitutionally vague in 1962 has, in the intervening three years, somehow or other become so precise as to pass constitutional muster.¹⁵

As to the records before the Court: in *Fleuti* the doctors "gave widely varying meanings to the term 'psychopathic personality" (302 F. 2d at 658); here the doctors expressed grave difficulty in even fixing upon *any* meaning for the term or whether, if it had a meaning, it could be applied to petitioner.

To Dr. Diamond the term was "obsolete" (R. 157) as it apparently is to the American Psychiatric Association (R. 170). At least it is no longer used by that Association or by "hardly any psychiatrist today" (*ibid.*). The difficulty arises, in part at least, because the statute employs an obsolete, uncertain psychiatric

¹⁵The Public Health Service, which participated in framing the legislation in 1952 (see Fleuti, 302 F.2d at 654, n. 4), recognized that "the term 'psychopathic personality'... is vague and indefinite' (R. 169; quoting from U. S. Code, Congressional Administrative News, Volume II, 82 Cong. 2nd Sess., 1952) and the government representatives at the administrative hearing herein speculated at great length about how Congress might have drafted the legislation (R. 177-178). But in spite of all of this, we are not aware of any effort by Congress to deal with this matter since this Court's decision in Fleuti. See Apex Hosiery Company v. Leader, 310 U.S. 469, 487.

term instead of what the government attorney called "laymen's terms" (R. 177). Laymen and professionals alike simply cannot tell from the face of the statute what is or what is not to be included (R. 177-178).

Dr. Beittel agreed that the term "psychopathic personality" causes "difficulties in the medical profession regarding precisely what it means" (R. 33), that it has "no precise medical meaning" (R. 35), that it is a "difficult term for a layman to even hazard a guess as to what it means" (R. 35), and that it is a term for which, as a doctor, he has no "precise definition" (R. 42).

Perhaps the best way to conclude this portion of the brief is to quote Dr. Beittel:

"Q. As I understand it, doctor, both legally and medically this is very confusing, isn't it?

A. Yes, the guidelines are not clear." (R. 57)

In any case, as previously indicated (*supra*, pages 10-11), it is clear that whatever it means, the statutory term does not, either on its face or on the facts of this case, apply to petitioner.

This record thus demonstrates the absolute soundness of this Court's decision in *Fleuti*. It reinforces the conclusion there reached "that the statutory term 'psychopathic personality', when measured by common understanding, does not convey sufficiently definite warning that homosexuality and sex perversion are embraced therein" (302 F. 2d at 658).

For this reason also the order of deportation should be set aside.

TIT

PETITIONER WAS DENIED DUE PROCESS OF LAW BECAUSE, ALTHOUGH HE WAS NOT ADVISED OF HIS RIGHT TO COUNSEL, STATEMENTS MADE BY HIM WHILE UNDER INTERROGATION WERE USED AGAINST HIM.

Massiah v. United States, 377 U.S. 201, teaches us that the Sixth Amendment guarantees the right to counsel to a federal criminal defendant who is "under interrogation by the police" (377 U.S. at 204) and Escobedo v. Illinois, 378 U.S. 478 that when an investigation begins to fix upon a particular person he is entitled to counsel; that at that point the due process clause of the Fourteenth Amendment (and certainly this must be equally true of the due process clause of the Fifth Amendment) requires that he be advised of that fact; and that if he is not, "no statement elicited . . . during the interrogation may be used against him . . ." (378 U.S. at 491).

In the instant case, it is not disputed that at the time petitioner was first under interrogation by an agent of the Service, he was not advised of his right to counsel (R. 104-105);¹⁸ nor can it be doubted that petitioner and petitioner alone was the sole subject of the investigation.¹⁷ Thus the factual preconditions for the application of the *Massiah-Escobedo* doctrine exist in this case.

¹⁶Section 242(b)(2) of the Act provides a procedure to be followed for the determination of deportability and specifically states that in any such proceedings "the alien shall have the privilege of being represented . . . by such counsel . . . as he shall choose" (8 USCA 1252 [b][2]). That the initial interrogation was a part of the deportation proceeding is obvious and it is clear that the Service so regarded it. See n. 17, infra.

 $^{^{17}}$ Q. . . . Do you understand that this hearing is for the purpose of making a determination of your legal status under the

The only question is whether because this is a deportation proceeding and not a criminal prosecution the rule should be any different. The answer would clearly appear to be that this should make no difference.

"Though deportation is not technically a criminal proceeding, it visits a great hardship on the individual and deprives him of the right to stay and live and work in this land of freedom. That deportation is a penalty—at times a most serious one—cannot be doubted. Meticulous care must be exercised lest the procedure by which he is deprived of that liberty not meet the essential standards of fairness." Bridges v. Wixon, 326 U.S. 135, 154.

The statement made at this interrogation was a substantial basis upon which findings adverse to petitioner were made (R. 17, 63-64, 97). Objection was duly made to the admissibility of the statement (R. 104) but was overruled (R. 105).

Immigration laws of the United States and this will go through a hearing before a Special Inquiry Officer?

A. Yes, sir, I do. Q. Mr. Lavoie, my investigation discloses that it is possible that you are a homosexual . . . " (R. 189; italics supplied).

The error in receiving this evidence against petitioner is, on the facts of this case, of constitutional dimension and requires the setting aside of the order of deportation, independently of the other grounds heretofore urged.

CONCLUSION

For each of the foregoing reasons taken separately and for all of them taken together, the order of deportation is void and should be set aside.

Dated, San Francisco, California, October 28, 1965.

Respectfully submitted,
Gladstein, Anderson, Leonard & Sibbett,
By Norman Leonard,
Attorneys for Petitioner.

CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

> NORMAN LEONARD, Attorney for Petitioner.

(Appendix Follows)







Appendix

LIST OF EXHIBITS Pursuant to Rule 18(2)(f)

		Record Reference
Exhibit 1.	Order to Show Cause and Notice of Hearing	103, 185
Exhibit 2.	Record of sworn statement of petitioner, August 30, 1961	105, 187
Exhibit 3.	Two (2) letters relating to petitioner dated October 9, 1961 and October 23, 1961, respectively, from Dr. Daniel Beittel to the Immigration and Naturalization Service	108, 196
Exhibit 4.	Additional charge of deportability (merely adding a later date of entry)	183, 199
Exhibit 5.	Certified copy of minute order in Municipal Court of San Francisco, People v. Lavoie	24, 60



IN THE

United States Court of Appeals For the Ninth Circuit

Palmberg Construction Co., an Oregon corporation, Appellee-Appellant,

v.

SIMPSON TIMBER COMPANY, a Washington corporation, Appellant-Appellee,

UPON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON SOUTHERN DIVISION

Honorable John C. Bowen, Judge

Blair, Thomas, O'Hern & Daheim Attorneys for Palmberg Construction Co.

Office and Post Office Address: 502 Rust Building Tacoma, Washington 98402

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IN THE

United States Court of Appeals For the Ninth Circuit

No. 20219

Palmberg Construction Co., an Oregon corporation, Appellee-Appellant,

v.

SIMPSON TIMBER COMPANY, a Washington corporation, Appellant-Appellee,

Upon Appeal from the United States District Court for the Western District of Washington Southern Division

Honorable John C. Bowen, Judge

CONSOLIDATED BRIEF OF Palmberg Construction Co. as APPELLANT and as APPELLEE

JURISDICTION

Jurisdiction has already been outlined in Simpson's brief. Palmberg appeals (TR. 259 (*) from the judgment and from order (TR. 255) denying Palmberg's motion (TR. 241) for judgment for interest.

CONCISE STATEMENT OF THE CASE

Both the partially prevailing plaintiff, Palmberg Construction Co., and the defendant, Simpson Timber Company, have appealed. It was stipulated that Simpson should first file its appellant brief and that Palmberg should then file a consolidated brief, incorporating its argument on its appeal and its answer to Simpson's argument on Simpson's appeal. Because each party is both an appellant and an appellee, in this brief plaintiff below will be referred to as "Palmberg" and the defendant below will be referred to as "Simpson".

This case arises on the claim (TR. 1) of Palmberg, a dredging contractor, for the balance due for work performed for Simpson. The work consisted of filling of certain of Simpson's land by means of hydraulic dredging of materials from the adjacent harbor areas. The primary question involved is one of fact, the amount to which Palmberg was entitled for its work. Palmberg claimed that for the work it performed it was entitled to approximately \$274,000.00, that the defendant had paid only approximately \$190,000.00, that the defendant had stated that it would pay an additional \$16,187.00, but only in the event plaintiff would agree to waive its claim for additional compensation, and that

FOOTNOTE:

^{*} Throughout this brief references to the Transcript of Record are designated "TR." followed by the page number; references to the Reporter's Transcript of Proceedings are designated "R." followed by the page number; exhibits are designated "Ex." followed by the exhibit number.

defendant was still indebted in the sum of approximately \$84,000.00. By its answer (TR. 5) defendant admitted that it still owed plaintiff \$16,187.00, but set up a counter-claim against plaintiff and claimed the right of offset.

The jury awarded plaintiff a verdict of only \$34,508.51 (TR. 244) and found against defendant on its counterclaim (TR. 43).

The principal question involved on Palmberg's appeal is its claim for interest on the previously liquidated portion of its recovery (\$16,187.00), which portion Simpson had refused to pay unless Palmberg would agree to give up its claim for additional compensation. It was agreed that the Court should determine this question and the jury was so instructed (Instruction No. 32, R. Vol. VI, 38). After verdict, Palmberg moved for supplemental judgment for this interest (TR. 241). The Court's denial of that motion (TR. 255), to which Palmberg has assigned error, raises that issue before this Court.

The second question involved on Palmberg's appeal is the propriety of a preliminary order entered by the Pretrial Judge (TR. 134), which limited plaintiff's proof and made certain conclusions as to one reference contained in the written contract. This issue is brought before this Court by Palmberg having assigned error to the entry of that order.

The third question involved in Palmberg's appeal is the failure of the Trial Court to instruct the jury that the written contract contained no specified completion date (plaintiff's proposed Instruction 42, TR. 242). Palmberg excepted to the Court's failure to give this instruction (R. Vol. VI, 62) and assigns error thereto.

Simpson's appeal is based upon alleged error assigned by it to certain of the Court's instructions, Simpson's objections to some of the evidence, and refusal of the Trial Court to direct verdict in its favor, and that the jury's verdict denying its counter-claim was "against the weight of the evidence."

The contract (Ex. A-1) provided that the dredger should be paid on the basis of his monthly estimate of the amounts of materials being dredged into the fill, and that Simpson should furnish the contractor surveys and cross sections of the area filled, both before and after dredging, so that the pay quantities could be accurately determined. There was testimony that Palmberg based its bid (R. 366, 367) and estimated its progress (R. 353) on the information contained upon the map or diagram (Ex. 2) previously furnished it. The information had been put on this map by Simpson's engineers after several months of preliminary work during which they investigiated the conditions, took soundings and measurements of the amount and location of the work Simpson wished to have performed (R. 128-131). This map outlined the scope, location, extent and details of the job and it had been prepared to explain and illustrate the scope of the work to prospective bidders (R. 131).

After several months Simpson made a survey of the partially completed fill and found that Palmberg had been over-estimating the amount of materials which had been dredged. When Palmberg was given this information, it then investigated the reason for the discrepancy and discovered that part of the information on the map which Simpson had given it, and upon which it had based its bid and had been estimating its rate of production and progress was incorrect. Palmberg promptly advised Simpson of this and advised Simpson that the work would prove more costly and time consuming, particularly because the areas from which the additional material would have to be obtained were farther away than the primary area and were more costly and difficult to dredge than the area originally agreed upon, and that much of them included excessive amounts of trash and other foreign materials and were full of obstacles. Palmberg voluntarily agreed that it would withhold any further billings for materials dredged until completion of the work. By this letter (Ex. 25) Palmberg pointed out that its costs would exceed its income and that it wished to discuss reimbursement of some of those excess costs. The record shows that Palmberg then completed the dredging, during which time it furnished Simpson its cost records, but did not thereafter bill or receive payment for materials dredged at the contractual rate. The record includes no evidence that Simpson disagreed with Palmberg's position until some months after the contract was completed.

Simpson then refused to pay any additional compensation but did admit its indebtedness of \$16,187.00. This was based strictly upon the originally agreed upon contractual rate for the amount of material that Simpson claimed was then present in the completed fill. However, Simpson failed to furnish surveys or cross sections of the completed fill to substantiate that amount. From the evidence the jury was entitled to find that the actual yardages dredged were substantially more than the amount for which Simpson was willing to pay.

SPECIFICATION OF ERRORS

Assignment of Error No. 1:

The Court erred in entering its order (TR. 255) denying Palmberg's motion (TR. 241) for supplemental judgment or in the alternative amended judgment, and in directing entry of judgment in only the sum of \$34,508.51 without adding thereto interest on that portion of the verdict (\$16,187.00) which Simpson had previously admitted to be due.

Assignment of Error No. 2:

The Court erred in entering its order (TR. 134), denominated as an order granting in part defendant's motion for summary judgment.

Assignment of Error No. 3:

The Court erred in failing to give plaintiff's proposed Instruction No. 42 (TR. 242) which read as follows:

"You are instructed that the Court has determined as a matter of law that the written agreements between the parties did not require the Plaintiff to complete the dredging and filling by June 1, 1960, or within any specified period."

At trial, Palmberg excepted (R. Vol. VI, 62) on the ground that construction of the portion of the contract dealing with any completion date was for the court and that the jury should have been instructed that the written contract did not bind Palmberg to complete performance by any specified completion date.

SUMMARY OF ARGUMENT ON PALMBERG'S ASSIGNMENTS OF ERROR

Assignment No. 1 is directed to the failure of the Court to allow interest on the sum of \$16,187.00. This was the amount which Simpson had computed as being admittedly due Palmberg at the agreed upon contractual rate. Palmberg, after completion of the work, claimed it was entitled to additional compensation. Simpson rejected that claim for additional compensation in its entirety. Simpson admitted that it owed Palmberg this sum of \$16,187.30, but refused to pay it unless Palmberg would agree to accept it as final payment and waive his claim for additional compensation. Thus Simpson wrongfully retained the use of this amount and deprived Palmberg of it for several years.

Even in its answer to this suit Simpson admitted that this sum was due and in its answer gave as supposed justification for its failure to pay only its alleged counter-claim against Palmberg. This counter-claim sought damages for delay in completion of the work beyond the supposed completion date of June 1, 1960, and for damages allegedly arising through negligent operation of the dredge. The Court withdrew from the jury the issue of any alleged negligent damage and the jury found against Simpson on its counter-claim for delay (TR. 243). The verdict included this sum of \$16,187.00 plus an additional \$18,321.51 (of which \$704.67 was sales tax, leaving a net recovery of only \$17,616.84), a total of \$34,508.51. Palmberg believes the Trial Court was clearly in error in refusing to allow it interest on this \$16,187.00, no part of which was in issue in this case.

Palmberg's second assignment of error is directed to the entry of the order by the Pretrial Judge, which was denominated an "order granting in part and denying in part defendant's motion for summary judgment". In this order the Pretrial Judge, based on his assumption as to the meaning of part of the written contract, limited the proof and denied Palmberg an opportunity to present any proof of what it had been told by Simpson with reference to the materials being free from "debris". This order was of course interlocutory and subject to amendment and construction by the Trial Judge and Palmberg had no right to appeal from it until after final judgment. By reason of this order Palmberg was required to limit its proof as to the adverse effect of encountering and being required to dredge excessive amounts of debris to the debris encountered only in those areas from which

it was required to dredge more materials than originally contemplated or agreed.

Palmberg believes the entry of this order was error because the Pretrial Judge, without an opportunity to hear any of the evidence, mistakenly tried to import into the definition of the material to be dredged (sand, gravel and cobbles) the mention in that portion of the contract dealing with setting up a formula for method of payment (definition of an operating hour) of the possibility of encountering some "debris". This preliminary order was also in error in ordering that parol evidence would be inadmissible if it tended to vary the provisions of the contract respecting only this one item of "debris". At trial, the other party, Simpson, was permitted over objection to introduce much evidence of prior, contemporaneous and subsequent oral agreements and understandings of the parties dealing with many other matters, including the pumping distances and the supposed agreed time of completion. Although this preliminary order on its face prohibited the introduction only of statements or representations made prior to or contemporaneously with the contract, which might "vary its terms" respecting "debris", the order nevertheless proved quite prejudicial as Simpson's attorneys continuously attempted to convince the Trial Court that this interlocutory order meant something entirely different. Indeed, at trial, Simpson's attorneys attempted to convince the Trial Court that by reason of this order Palmberg should not even be permitted to prove the

damages it sustained in encountering an excessive amount of obstacles, such as large concrete blocks, buried pilings and salvagable sinker logs in areas outside of and beyond those areas which Palmberg had originally agreed to dredge!

Palmberg's third assignment of error is directed to the failure of the Court to instruct the jury that by the written contract Palmberg had not agreed to complete the dredging by June 1, 1960, or by any specified date. The contract itself clearly shows that Palmberg never agreed to any such condition or requirement.

ARGUMENT ON PALMBERG'S APPEAL Argument on Palmberg's Assignment of Error No. 1

Palmberg contended that it was unquestionably entitled to recover at least the sum of \$16,187.00 which Simpson in its correspondence and in its pleadings had consistently admitted was due, and that regardless of the outcome of the litigation as to its claim to additional compensation, it was entitled to that sum plus interest thereon at the rate of 6% from at least the 12th of October, 1961 (Pretrial Order, TR. 158). It was agreed that the Court, and not the jury, should determine Palmberg's right to interest on that amount and the jury was so instructed (Instruction No. 32, TR. Vol. VI, 38). This was the same procedure followed in the case of Walla Walla Port District vs. Palmberg, (CA 9, 1960) 280 F. 2d 237, in which the owner had likewise refused to make payment of that portion of the balance admit-

tedly due the contractor unless the contractor agreed to waive his claim for additional compensation.

By its letter of October 12, 1961 (Ex. 16), Simpson refused to pay any additional compensation and computed the balance due at the contractual rate as being the sum of \$16,187.00. As shown by that exhibit, this sum was reached by multiplying the yardage which Simpson claimed it had computed as having been dredged by the exact contract rate. That letter concluded,

"... you are requested to submit to this office your final billing in the amount of \$16,187.00 representing the balance of our account with you."

Attached to this letter was Simpson's computation which concluded with the language,

"Total remaining balance \$16,187.00."

The full text of that exhibit clearly shows that the offered amount was for yardages admittedly dredged at the contractually agreed rate. It was not in any way an offer of "settlement" of Palmberg's claim for additional compensation. This letter rejected that claim in its entirety. Simpson refused to pay even one cent to settle the disputed claim. While admitting it owed the \$16,187.00, Simpson wrongfully withheld that amount unless Palmberg would forego its claim in its entirety. Palmberg replied by its letter of October 27, 1961 (Ex. 17), again requesting negotiation to settle the amount of its extra compensation to which it was entitled, and concluded,

"Whether or not this meets with your approval, we would appreciate your remitting to us the \$16,187.00 admitted as due and owing to us for work performed subject to our claim for additional amounts due and owing."

By its letter of November 6, 1961 (Ex. 18) Simpson then sent Palmberg its check in the sum of \$16,187.00. That letter stated in part,

"Should it not be acceptable as payment in full, Simpson will wish to off-set its losses sustained by reason of your failure to complete the dredging operation within the time represented by you. "We, therefore, enclose our check in the sum of \$16,187.00 as payment in full of all obligations of Simpson to you arising out of its Purchase Order No. 52471-PE dated January 12, 1960, as amended by Supplemental Purchase Order dated February 17, 1960. Should it be unacceptable on that basis, we request that it be promptly returned."

By this letter Simpson attempted the identical maneuver by which the Port District in the case of Walla Walla Port District vs. Palmberg, 280 F. 2d, 237, supra, also tried to prevent the contractor from recovering the additional compensation to which it was clearly entitled. By its letter of November 8, 1961 (Ex. 19), Palmberg returned that check stating that it was unacceptable on Simpson's terms and pointed out that the withholding of this amount was completely unjustified and that interest thereon would be claimed.

By its answer in this suit Simpson stated,

"There remains owing to the plaintiff the amount of \$16,187.00 only, which amount the defendant has tendered to the plaintiff." (TR. 7).

Indeed, even the prayer of Simpson's answer included a prayer,

"That the court adjudge that the plaintiff is entitled to the sum of \$16,187.00 only as the balance due on the above mentioned contract, which amount has been tendered to the plaintiff by the defendant."

Simpson attempted to justify its failure to pay this amount, admittedly due, only on the basis of an alleged off-set for delay in completion beyond the supposed completion date of June 1, 1960, and for damages allegedly arising through negligent operation of the dredge. The Court withdrew from the jury the issue of any alleged negligent damage, and the jury found against Simpson as to any supposed off-set for delay (TR. 243). The verdict included this sum of \$16,187.00 plus an additional \$18,321.51 including sales tax, the total verdict being \$34,508.51. Actually Palmberg's recovery of additional compensation, exclusive of the sales tax was only \$17,616.84 and that is the only amount in issue upon Simpson's appeal. Ever since 1961 Simpson wrongfully withheld payment of the \$16.187.00 and had the use of that money during the entire period while Palmberg was deprived of it.

Simpson's only possible justification in withholding this amount was by reason of a claimed off-set which the jury found groundless. The situation is practically identical with the situation in the case of Walla Walla Port District vs. Palmberg, 280 F. 2d 237, supra, excepting only in that case the Port District was not claiming any off-set.

It is well settled that interest is allowable on the liquidated portion of a claim. Caterpillar Tractor Co. vs. Collins Machinery Co. (CA 9, 1960) 286 F. 2d 446, 452, in which the Court stated:

"Under Washington law interest is allowable on all claims that are liquidated or readily ascertainable by mathematical computations or by reference to standards prescribed in the contract—in other words, where it is not necessary to rely upon opinion or discretion."

See also Puget Sound Pulp & Timber Co. vs. O'Reilly (CA 9, 1956), 239 F. 2d 607, 612, in which the Court, quoting from one of the cases of the Washington Supreme Court, stated:

"Interest on money detained after it is due and payable is recoverable as matter of legal right." (Emphasis is that of the Court.)

The Washington statute allowing interest is RCW 19. 52.010. Naturally, interest is not allowable on an unliquidated claim because the person liable does not know what he owes and therefore cannot be in default for not paying. 15 Am. Jur. Damages § 161, p. 579. However, Simpson did know this exact amount of \$16,-

187.00 which it knew, and consistently admitted it knew, was always due Palmberg.

The fact that Simpson refused to pay that liquidated amount because of a claimed off-set does not make the claim for that amount unliquidated. This was conclusively determined in the case of *Mall Tool Company vs. Far West Equipment Company*, (1954) 45 Wn. 2d 158, 237 P. 2d 652, in which the Court stated at page 177:

"An unliquidated counterclaim, even when established, does not affect the right to interest prior to judgment on the amount found to be due on a liquidated or determinable claim, since the debtor may not defeat the creditor's right to interest on such a claim by setting up an unliquidated claim as an off-set."

That case, as well as the subsequent case of *Haynes vs. Columbia Producers*, *Inc.*, (1959) 54 Wn. 2d 899, 344 P. 2d 1032, held that interest is allowable on either a fully liquidated claim or one, the amount of which can be determined by computation. It is also the law of Washington that it is proper to allow interest on that portion of a claim which is liquidated, even though the claim also includes a claim for damages which are not liquidated. *Lloyd vs. American Can Co.*, (1924) 128 Wash. 298, 222 Pac. 876.

The Trial Court should have entered a supplemental judgment allowing interest on the liquidated portion of Palmberg's claim, as was approved in the *Walla Walla* case.

Argument on Palmberg's Assignment of Error No. 2

Prior to agreement upon and entry of the extended pretrial order (not *following* the entry of this pretrial order, as erroneously stated at page 8 of Simpson's brief), Simpson made and argued a motion which it entitled one for "summary judgment" (TR. 131). This motion moved the Court,

"... to enter summary judgment for the defendant on the issues of the inadmission of parol evidence adding to or varying the terms of the written contract between the parties and construction of that contract."

While the motion stated that it was being made pursuant to the provisions of Rule 56(b) and (c), the motion did not seek and the order did not grant "judgment" on "all or any part" of Palmberg's claim. The order entered was denominated (by counsel) an "order granting in part . . . defendant's motion for summary judgment" (TR. 134). Actually, it constituted the type of order contemplated by Subsection (d) of Rule 56. which is substantially similar to the order made upon a pretrial hearing under Rule 16. The effect and finality of such an order is analyzed and fully discussed at 3 Barron & Holtzoff, Federal Practice, § 1241, pgs. 187-196. The distinction between an actual summary judgment. and the order entered by the Pretrial Judge in the instant case is illustrated in cases such as King vs. California Company, (CA 5, 1955) 224 F. 2d 193, 196, and Coffman vs. Federal Laboratories, (CA 3, 1948) 171 F. 2d 94, 98. As the Court stated in the latter case.

"Subsection d simply provides for a method whereby the trial judge with the aid of counsel can point up the controverted issues. It is, moreover, similar to the pretrial procedure provided for in Rule 16 and the matters determined in the issues so framed are not foreclosed in the sense that the judge cannot alter his conclusions . . . THEREFORE, even if we accept the plaintiff's contention as to what was determined by the motion, the court was still free to alter its view as to interpretation of the orders at a later stage of the proceedings. Res judicata was not and is not applicable."

The Trial Judge clearly had the right to interpret, relax or even modify such an order. Smith Contracting Corp. vs. Trojan Construction Company, (CA 10, 1951) 192 F. 2d, 234; Clark vs. Pennsylvania Railroad Company, (CA 2, 1964) 328 F. 2d, 591.

Despite the fact that the Trial Judge may not have erred in the manner in which he interpreted and applied this pretrial order, the entry of that order was in error and was prejudicial to Palmberg. The problem was that throughout the trial, and throughout its brief, Simpson's attorneys continually attempted and do now attempt to convince this Court that this interlocutory order meant something entirely different than it states.

The Pretrial Judge, not having been afforded the opportunity to hear any of the evidence, mistakenly tried to import into that portion of the contract specifying the nature of the material to be dredged (sand, gravel and cobbles) the mention in that portion of the contract setting up a formula for rate of payment (definition of

an operating hour) of the possibility of encountering some debris. The ruling was that the contract, "provides for the possibility of the plaintiff's encountering debris in the dredging operations" (TR. 135). Palmberg believes that the Pretrial Judge clearly misconstrued the contract and the meaning of the reference to the possibility of encountering some debris which was contained, not in the definition of the materials to be dredged, but in the standard dredging definition of an operating hour. It should be pointed out that this was not a straight rental contract by which Palmberg was to be paid a flat rental for each of its operating hours. This standard definition of an operating hour was inserted only as a part of the payment formula. It certainly was not intended to change Palmberg's obligation from one to dredge sand, gravel and cobbles from the closer and cleaner areas originally designated to one to dredge substantial quantities of excessive amounts of foreign materials, mixed with and imbedded in the originally contemplated sand and gravel, particularly from areas trashier, farther away and containing many more obstructions than those it originally agreed to dredge!

From the erroneous premise the Pretrial Judge then concluded that the *written* contract contained no warranty with respect to the quantity, not only of trash, but of such obstacles as sinker logs, concrete blocks, buried and submerged piling and other foreign objects encountered. Obviously, the written contract contemplates no

such possibility and itself contained no warranty with respect to the absence or presence of such conditions, which were obviously unknown at the time to *either* of the parties. Palmberg never contended that the written contract contained such a warranty, and this order in effect dealt with and attempted to dispose of a matter not actually ever in issue.

The unfairness and impropriety of the order limiting proof is illustrated by the fact that it provided parol evidence would not be admissible if it tended to vary the provisions of the contract respecting only this one item of "debris". Nevertheless, Simpson was permitted at trial, over objection, to introduce much evidence of prior, contemporaneous and subsequent alleged oral statements and understandings dealing with many *other* parts of the contract, including pumping distances and the supposed agreed rate of progress, mention of both of which was also contained in the written contract.

The proper rule is contained in the case of *Moran Brothers Co. vs. Pacific Coast Casualty Co.*, 48 Wash. 592, 598, 94 Pac. 106:

"...But it is just as well established that parol testimony is admissible to explain written contracts when there is anything doubtful in the language used, or to supply omissions, or to prove agreements between the parties which were not merged in the contract though they might have relation to the same subject matter. It is the province of the court to determine, both from the written contract and from oral testimony, the intent of the parties in

relation to what was incorporated in the written agreement."

By reason of this order Palmberg at trial was not permitted and did not attempt to introduce its evidence of what it had been told by Simpson as to the nature of the materials in the quantities and amounts in the areas originally designated. Had it been permitted to introduce such proof, it undoubtedly would have recovered a substantially larger verdict. However, the principal prejudice was Palmberg's difficulty at trial in introducing proper evidence. This was caused by the continual attempts of Simpson's attorneys to convince the Trial Court that by reason of its interlocutory order Palmberg should be precluded from showing the conditions and difficulties it encountered by reason of being required to dredge materials in greater amounts from different areas than originally agreed. Indeed, at trial, Simpson's attorneys attempted to convince the Trial Court that by reason of this order Palmberg should not even be permitted to prove the damages it sustained by encountering an excessive amount of obstacles, such as large concrete blocks, buried pilings and salvagable sinker logs outside of and beyond those areas which Palmberg originally had agreed to dredge!

Palmberg submits that in entering this order, which unduly emphasized and misconstrued one isolated provision of the contract, and preliminarily precluded proof by only one party to the contract of the circumstances of entering into the contract was, at this stage of the case, error.

Argument of Palmberg's Assignment of Error No. 3

Simpson contended that by the written contract Palmberg agreed to complete its work by June 1, 1960 (Pretrial Order, TR. 166). Under the evidence it was clear that by its written contract Palmberg never agreed to complete the work by June 1, 1960 or by any specified date. The Court should have given Palmberg's proposed instruction No. 42 (TR. 242) which would have so instructed the jury.

Palmberg's original proposal (Ex. A-1) was explicit as to the rate of progress. It provided,

"Dredging shall begin in January, 1960; and shall be carried on twenty four hours per day, five or six days per week."

Dredging did not commence until February, partly because Simpson delayed its acceptance of this proposal (R. 441-442). This offer was accepted on its identical terms, both by the written approval of Simpson thereon and the issuance of its purchase order (Ex. A-3). Subsequently, by a letter of February 5, 1960 (Ex. 9), Palmberg offered to bring another dredge on the job to perform,

"... under the terms and conditions set forth in our letter of December 29, 1959, embodied in the reference purchase order, subject to the following additions; ..."

Those specific proposed additions to specific numbered paragraphs and sub-paragraphs of the original proposal were fully set out. Neither of them mentioned or implied any specific completion date. Simpson accepted this offer by the issuance of its supplemental purchase order (Ex. 10). This added to the original written contract the identical language and terms of Palmberg's offer. No term or addition with reference to any agreed completion date was added! Simpson's argument that Palmberg had in writing agreed to complete the work by June 1, 1960 is limited solely to the recitation in this supplemental purchase order that Simpson's apparent reason in accepting, in its identical terms, Palmberg's supplemental offer, was,

"... in order to *permit* completing the fill operation by June 1, 1960." (Emphasis supplied)

Simpson's resident engineer admitted that he had given Palmberg permission to remove this second dredge from the job prior to June 1, 1960 (R. 777). He also admitted that he had sufficient experience to draw a contract which would have required Palmberg to complete the work within a particular time, knew that he could have conditioned the agreement upon a requirement of a particular completion date, and that one of the reasons he did not incorporate a binding condition as to completion date in this contract was that he knew such a condition might have resulted in an increase in the contractor's offered price (R. 778-779).

As the written offer and acceptance, properly construed, obviously contained no binding condition or requirement of any specified completion date, the jury should have been so instructed. As pointed out in Simpson's brief, ordinarily construction or legal effect of a contract must be determined by the Court as a question of law. *Bellingham Etc. vs. Bellingham Coal Mines*, 13 Wn. 2d 370, 381; 125 P. 2d 668, 675 (1942).

By this assignment Palmberg is not now claiming as error submission by the Court to the jury of a supposed issue of some *implied* agreement to complete within a reasonable time. Although the jury found against Simpson on this issue, Palmberg feels that it was erroneous and prejudicial to submit to the jury the issue of whether Palmberg had in writing promised and agreed to complete the work by June 1. Evidence and argument permitted on that issue may well have adversely affected the result, as indicated by the extremely small amount of the net recovery which the jury allowed Palmberg.

ARGUMENT IN ANSWER TO SIMPSON'S APPEAL Simpson's Assignments of Error Nos. 1 and 2

Simpson here complains of a small portion of the Court's introductory instruction which outlined the respective contentions of the parties from the agreed pretrial order. By its succeeding instruction (No. 2, R. Vol. VI, 6), the Court cautioned the jury that its statement of the case was, "merely a summary of the claims, contentions and allegations" of the parties.

Simpson cites no case holding it error to outline to the jury in the preliminary instruction the respective contentions of the parties. The Washington court in a very recent case in which a similar argument was made, *Mulkey vs. Spokane, Portland & Seattle Railway Company*, (1964) 65 Wn. 2d 98, 104, 396 P. 2d 158, in disposing of a similar assignment of error to the Court's statement of the case, stated:

"We can see no prejudicial error in the trial court's mentioning in the instruction covering the allegations of the partiies in their pleadings, the plaintiff's contention that the defendant was negligent in not maintaining a proper lookout. No specific instruction on 'lookout' was given, and its mention as a contention of the plaintiff's must be read in connection with the statement in the same instruction: That it was merely a summary of the allegations of the parties in their pleadings, and that they (the jury) were not to take the same as any proof of the matters alleged, except as admitted in the pleadings, and were to consider only those matters alleged in the pleadings which had been established by the evidence."

Simpson's first complaint is that mention was made in the preliminary instruction of Palmberg's original contention that the \$274,885.00 which it was claiming for the work it performed was the reasonable value of the work. The cases cited by Simpson do not indicate that the "loss of bargain" or the ascertained reasonable value of the work actually performed (See *Woodmont, Inc. vs. Daniels*, (CA 10, 1959) 274 F. 2d 132) would have been an impermissible measure of damages. In *Texas Tunnel*-

ing Company vs. City of Chattanooga, Tenn., (1962) 204 Fed. Supp. 821, a contractor was allowed recovery against an engineering firm which had negligently furnished incorrect information upon which the contractor had based its bid. The proper measure of damages was there found to be the difference between the amount which the plaintiff bid and the amount which it would have bid had it received correct information. In United States vs. Atlantic Dredging Company, 253 U.S. 1, 40 S.Ct. 423, 64 L. Ed. 735, the contractor was allowed recovery for the total amount expended by it without any regard to the contractual rate. In this regard it is significant that Palmberg contended (Pretrial, TR. 147) and its evidence clearly showed that its actual cost greatly exceeded the amount which it claimed was the reasonable value of its work. Palmberg's original claim was of course stated on several different theories, including one that Simpson impliedly agreed to renegotiate the price. In any event, the Court did not instruct the jury that Palmberg was entitled to the reasonable value of all the work it performed, but gave the jury a clear and proper instruction as to the measure of damages (Instruction No. 37, R. Vol. VI, 42), to which no exception was taken.

Simpson next complains that it was error for the Court to explain in this preliminary instruction Palmberg's contention that the contract did not require it to dredge great amounts of foreign material other than sand, gravel and cobbles. It should first be noted that this sentence refers to many other obstructions other

than "debris" and does not in any way state or infer that the contract did not make reference to the possibility of there being "encountered" some debris. It is not in any way inconsistent with the Pretrial Judge's order or contrary to its meaning or intent. A full reading of the paragraph of the Court's preliminary instruction from which this sentence is taken shows that the jury was clearly instructed that Palmberg was claiming damages, not because of any debris in the original area, but because of obstructions and excessive debris in the added areas, which coupled with the increased pumping distances and the changes made in its work, greatly increased its costs.

However, because this matter of the Pretrial Judge's order is so frequently mentioned in Simpson's brief, Palmberg takes this opportunity to point out what that order actually said. The decreeing portion read:

"IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the *written* contract which is identified as Exhibits 1, 2, 3 and 4 of the Pretrial Order herein provides for the *possibility* of the plaintiff's *encountering* debris in the dredging operations *therein* contracted to be performed by the plaintiff, and that the said contract contains no *warranty* with respect to the *quantity* of forest trash, sinker logs, swifter wires, buried or submerged piling, bark, limbs, knots, and other foreign objects to be encountered by plaintiff.

"IT IS FURTHER ORDERED ADJUDGED AND DECREED that all evidence of statements,

agreements, representations made, or claimed to have been made prior to or contemporaneous with the date of said contract, which varies, adds to, modifies or is contrary to the provisions of the said contract, respecting debris, including evidence concerning quantity to be encountered, is inadmissible at the time of trial;" (Emphasis supplied) (TR. 134)

This order did not state that by the contract Palmberg ever agreed to dredge any materials other than sand, gravel and cobbles. The order simply stated that there was a reference in the contract to the possibility of plaintiff's "encountering" "debris" in its dredging operation. The order further stated that the written contract itself contained no warranty with respect to the quantity of certain types of trash and obstacles to be encountered. The order then limited proof by providing that evidence of oral statements which were contrary to the provisions of the contract respecting debris, might not be admitted. Simpson's brief refers to not one bit of evidence objected to by it dealing with any oral statements or other evidence attempted to be introduced contrary to the provisions of the contract. Contrary thereto, Simpson would have this Court believe that the Pretrial Judge's order meant that Palmberg was, for the price agreed upon, required not only to encounter, but also to dredge substantial "debris" and obstacles, and that Palmberg must encounter and overcome not only debris but many more of these obstacles in areas beyond and farther away and trashier than those from which it had originally agreed to dredge certain quantities!

Simpson's Assignment of Error No. 3

By this assignment Simpson in effect argues that it had no duty in asking for bids to disclose information known or available to it with reference to the work to be performed. This contract involved subterranean work in dredging materials beneath the water and beneath the surface of the ground covered by tidal waters. The evidence showed that Simpson had caused dredging to be done in adjacent areas a few years before (R. 123, 125). Although records of that work and the nature of the materials encountered were presumably readily available to it, it made no effort to review them and never produced them (R. 125, 126). One of Simpson's engineers who engaged in the contract discussions had worked on that previous dredging (R. 802). In this instance Simpson did disclose much partial information and its engineer testified that he did give all information available (R. 165). However, the jury was clearly entitled to believe that at the time the contract was entered into Simpson knew that there was not 350,000 cubic vards available in the primary area and that Simpson failed to disclose this information to Palmberg. Although Simpson's engineer stated that he had no anticipation of finding any sunken logs in the substitute area (R. 228), these logs were apparently Simpson's own logs. After they were salvaged by Palmberg, Simpson towed them away to its mill to saw into lumber (R. 555). Simpson was specifically advised that Palmberg's 12 inch dredge could not feasibly dredge an excessively

trashy area (R. 146, 164). Despite the fact that Simpson subsequently admitted that the buried piling was part of an old railroad trestle (Ex. 16), Simpson's engineer testified that he told Palmberg prior to formation of the contract that Simpson had no knowledge of any piling (R. 226). Simpson's engineer testified that on the basis of previous pile driving work and other construction in the area, the fill consisted of sand and gravel (R. 127-128). Simpson's investigation of the work had consumed several months (R. 126-131) while Palmberg had seen it on only two occasions, one of which was not at low tide. It is undisputed that Simpson did furnish and discuss much information as to the location and nature of the materials (R. 80, 84, 86, 102, 131, 147, 177, 165, 227). Specific inquiry as to nature of materials was made by Palmberg (R. 103-104).

It should be noted that this instruction contained no reference to debris, but was limited to location and nature of the materials and any substantial obstacles likely to be encountered. While argument is made that this instruction was inconsistent and confused the jury, no exception was made to it on that ground (R. Vol. VI, 64).

The situation is almost identical to that in the case of Walla Walla Port District vs. Palmberg (CA 9, 1960) 280 F. 2d 237 and the numerous cases cited therein, including United States vs. Atlantic Dredging Co. (1920) 253 U.S. 1, 40 S. Ct. 423, 64 L. Ed. 735; Christie vs. United States, (1915) 237 U.S. 234, 35 S. Ct. 565, 59 L.

Ed. 933; and *Hersey Gravel Coal vs. State* (Mich., 1943) 9 N. W. 2d 567, 173 ALR 302.

It would appear inconceivable that under any standards of fair dealing, Simpson, which had actual knowledge that the materials were not available in the areas in which they were represented to be available on the map given Palmberg, had a legal right to withhold this information. The jury was also clearly entitled to find that Simpson knew or should have known much more about the nature of the materials and the likelihood of substantial obstacles being encountered in the areas than was included in those disclosures which it elected to make. It is also significant that Simpson took no exception to the Court's Instruction No. 19 (R. Vol. VI, 29) which set out a similar rule of law and which, of course, became the law of this case.

Simpson's Assignments of Error Nos. 4 and 5

The only ground given for Simpson's alleged exceptions to these two instructions at trial was that they left "to the determination of the jury matters which have been previously covered in Judge Boldt's order granting a summary judgment." (R. Vol. VI, 64-66). No exception was made to Instruction No. 20 on any claimed ground that it erroneously stated the defendant's duty to disclose information and the effect of a breach thereof, nor was any exception made to Instruction No. 22 on any alleged ground that it improperly stated the law with reference to the nature of the materials to be *dredged*

(as distinguished from the Pretrial Judge's order indicating that the contract did contain a reference to the possibility of some debris being "encountered"). Neither instruction made mention of "debris". Neither instruction had any bearing on the parol evidence rule or any warranty contained or not contained in the written contract.

This distinction is apparent in the case of Walla Walla Port District vs. Palmberg (CA 9, 1960) 280 F. 2d, 237, supra, in which the written contract not only did not contain a warranty, but did contain a strong disclaimer of any warranty and an admonition to the contractor to make independent investigation as to conditions. Nevertheless, the Court at page 248 of that decision stated,

"In our view the disclaimer provisions of the contract do not operate under the facts and circumstances of this case to prevent reliance by appellee on the implied representation of appellant that it had fully disclosed to appellee all relevant information and knowledge in its possession concerning sub-soil conditions." (Citing cases)

Those cases were the primary basis for the Court giving Instruction No. 20 which is almost identical with one of the instructions given and approved in the *Walla Walla* case. Instruction No. 22 dealt with the specific contractual obligation which Palmberg had assumed.

Simpson's exception at trial to both of these instructions was founded on its misconception that the Pretrial Judge's order had the effect of changing this contract from one requiring Palmberg to dredge sand, gravel and cobbles, to one requiring it to *dredge*, encounter and surmount *substantial* debris *and* substantial amounts of obstructions other than debris, even in the extended areas from which it had never originally agreed to dredge the amounts of materials which proved to be required.

Simpson's Assignments of Error Nos. 6 and 7

By this assignment Simpson claims the Court erred in submitting to the jury the matter of some ambiguity in the contract. This is particularly incongruous, inasmuch as throughout this entire proceeding, it was clear that Simpson, rather than Palmberg, was the one attempting to claim that this contract was ambiguous. Palmberg consistently contended that under the contract it was required to dredge only sand, gravel and cobbles, that it was only required to furnish 1,500 feet of pipe line, and that the dredging was to be limited to the quantities and areas previously designated.

Simpson took no exception to the Court's Instruction No. 26 (R. Vol. VI, 34) by which the jury was advised that the parties were in disagreement as to the meaning of the contract and that it was for the jury to determine from the entire contract and from the circumstances the meaning. This became the law of the case. It took no exception to the Court's Instruction No. 11 (R. Vol. VI, 22) which advised the jury that one question involved was the reasonable interpretation of the con-

tract. It took no exception to the Court's Instruction No. 12 (R. Vol. VI, 23) which likewise submitted to the jury,

"What was in the parties' minds at the time they entered into the written contract with respect to the work that was to be performed?"

This instruction specifically submitted the issue of ambiguity and the rules by which to construe a contract, and was an instruction submitted by Simpson itself. Many of the Court's other instructions to which no exception were taken likewise submitted to the jury the meaning of this particular contract.

Despite Palmberg's objections (R. 717, 718), Simpson's attorneys persisted in questioning both parties to the contract as to their respective understanding of its meaning (R. 400-401, 411).

Simpson in its brief (39) frankly admits that it is the law of the State of Washington that construction of a written contract may properly be submitted to the jury as a question of fact. *Keeter vs. John Griffiths, Inc.*, 40 Wn. 2d 128, 241 P. 2d 213 (1952).

Simpson's Assignment of Error No. 8

The instruction here complained of dealt with whether or not the evidence may have indicated an implied promise by Simpson to pay additional compensation. Simpson complains there was no such evidence. The jury was clearly entitled to believe that promptly after the error in Simpson's original calculations and representations first became apparent to it, Palmberg by its letter (Ex. 25) clearly indicated that it was entitled to additional compensation. The jury was entitled to find that from that point forward Palmberg (obviously with Simpson's acquiescence) ceased billing at the contractual rate to await a final settlement. The jury was likewise entitled to believe that again, prior to the completion of its contract (Ex. 12), Palmberg again indicated that it expected additional compensation. The jury was entitled to believe that during this time Simpson asked for the figures on the additional costs necessarily incurred. This would clearly indicate to any reasonable contractor that Simpson intended to recognize its obligation. The jury was entitled to believe that in the absence of such apparent acquiescence, Palmberg would have asserted its clear right to cease performance and rescind. The case of United States vs. Atlantic Dredging Co., 253 U.S. 1, 40 S. Ct. 423, 64 L. Ed. 735, held that a contractor is not required to quit work immediately upon discovering that the nature of the work is different than that represented, but may continue and still recover the value of his work.

The fact pattern is similar to that in the case of Walla Walla Port District vs. Palmberg (CA 9, 1960) 280 F. 2d 237. In that case the contractor likewise during the work notified the owner that conditions were proving different than as contemplated and requested suggestions as to the means of providing for an equitable ad-

justment and stated that in the meantime he would maintain a record of lost time and increased cost due to these conditions. There, as here, negotiations were subsequently undertaken but no agreement was reached. A similar situation was involved in the case of Davis vs. Commissioners of Sewerage of City of Louisville (Ky. 1936) 13 F. Supp. 672, in which upon discovering that conditions were different than as represented, the contractor indicated to the owner that it would expect additional compensation, but made no specific threat to quit or rescind. The owner did not reject this claim until after the work was completed and the Court allowed recovery for the increased costs upon a quantum meruit basis. The Court noted that the claim of changed conditions having been made and not rejected, the work had apparently proceeded on a basis different than the contract with the consent or permission of the owner.

Under the contention of the plaintiff and the evidence this instruction was clearly justified.

Simpson's Assignment of Error No. 9

This assignment points up a basic deficiency in the manner in which Simpson attempted to object and except to the Court's instructions. Neither in its Assignment of Error nor in its argument on this assignment does Simpson point out any reference to the page of the record at which it supposedly made any valid objection or exception to this instruction. At trial, in attempting to take its exceptions (R. Vol. VI, 62-67), Simpson's

attorneys did not refer the Court to the instructions actually given by the Court, but only referred by number to somewhat similar instructions which had been proposed by Palmberg. In practically no instance was the proposed instruction referred to identical to the actual instruction given by the Court. This assignment is directed to the Court's Instruction No. 28. By appendix Simpson states that this is the same instruction as Palmberg's proposed Instruction No. 20. The record on this appeal contains no such proposed instruction, or even any similar proposed instruction of Palmberg. This exception is clearly deficient.

The only possible exception which might be related to the Court's Instruction No. 28 is that there was no evidence to support it. Despite extensive pretrial, Simpson refused to admit, until they were forced to admit during the actual trial (R. 153), that its error in the information which it originally furnished Palmberg was the result of "mistake". Simpson's engineer, who had also negotiated the contract, admitted at trial that he had no knowledge of the existence of the submerged piling (R. 226) or of the buried logs (R. 228), and obviously Palmberg had no knowledge of their extent.

It is difficult to understand how the writer of Simpson's brief could have in good faith stated to this Court (Simpson's brief, 42, 43) that,

"There was no evidence presented in the trial of the case which would support an instruction on mistake." Under the evidence this instruction was fully justified.

Simpson's Assignment of Error No. 10

In this assignment Simpson claims (Brief 43) that: "The Court erred in admitting any evidence regarding debris encountered by the appellee in its dredging operations."

Heretofore in this brief Palmberg has analyzed the Pretrial Judge's order which held only that there was reference in the contract to the possibility of "encountering" some debris, and held that the written contract did no contain any warranty with respect to the amount, either of debris or other foreign materials or obstacles which might be encountered. Again in this assignment Simpson's attorneys misconstrue that order which only precluded evidence of representations as to the amount of "debris" which was contrary to the terms of the written contract. Webster's International Dictionary defines "debris" as "rubbish". The testimony clearly distinguished debris from other foreign materials and objects actually encountered and in some instances actually dredged, which included large concrete blocks, driven imbedded piling, salvagable sinker logs up to 40 feet in length, boom chains, and even tires and tricycles. The distinction between debris and other foreign materials and obstacles was brought out by the testimony (R. 364).

As previously indicated herein, Palmberg is convinced that the order of the Pretrial Judge was in error because it attempted to construe the contract without the bene-

fit of the surrounding circumstances. Nevertheless, at trial, Palmberg studiously abided by that pretrial order. No attempt was made to introduce evidence of additional cost by reason of encountering debris in dredging those quantities from the areas in which Simpson had originally represented those respective quantities were to be dredged. Evidence of damages by reason of debris and even of other foreign objects and obstacles was studiously limited to those areas (all of which were farther away than the primary area) (R. 368) from which Palmberg was required to dredge more materials than it had originally agreed. In this assignment (Simpsons brief, pg. 18), Simpson complains of ten instances. NOT ONE of these references deal with any evidence as to any "warranty", or to any " statements, agreements, represenations made or claimed to have been made" with reference to debris. In practically every instance they involve obstacles other than debris and in practically every instance deal with the farther areas from which Palmberg had to dredge the additional materials which were originally represented to be present in the closer and cleaner primary dredge area.

In this argument Simpson isolates a portion of one statement by counsel and then states that it constituted "an intentional misrepresentation to the Court". Understandably we take offense at this statement. Simpson has quoted only a portion of counsel's statement taken out of context. A full reading of the colloquy commencing at page 30 of the record clearly belies counsel's state-

ment. Should there be any doubt in the mind of this Appellate Court as to the impropriety of that accusation, counsel calls this Court's attention to additional statements by counsel in the record at the following pages: R. 34, R. 42, R. 52-53, R. 59, R. 565.

All such evidence as the Trial Court did admit was clearly admissible under the issues and under a proper construction of the Pretrial Judge's order, which order dealt only with the parol evidence rule.

From the evidence the jury was entitled to believe that Palmberg was required to obtain some 128,000 cubic yards of materials from areas all beyond the area where those materials had been represented to be available. It was entitled to find that one of these areas, the ferry channel, was much trashier than the primary area (R. 227, 368). It was entitled to find that one of those areas, the log slip area, was much more trashy (R. 369). It was entitled to find that one of those farther areas, the extended area, was much more replete with imbedded piling (R. 542, 554). It was entitled to find that one of those areas, the substitute area, contained many more of Simpson's sunken logs imbedded and buried beneath the surface (R. 554). All of this evidence was admissable, relevant and material to the agreed issues.

Simpson's Assignment of Error No. 11

By this assignment Simpson complains of the Court permitting the introduction into evidence of the plat (Ex. 2) which it admittedly prepared and furnished Palmberg as a basis for Palmberg's proposal. Simpson claims that the admission of this map violated the parol evidence rule and "contradicts" the written contract. This appears to be Simpson's primary assignment of error.

The evidence showed that Simpson, commencing in August of 1959 (R. 128), with its engineering staff took soundings and elevations of the area (R. 128), which work continued through November (R. 130). The purpose of this investigatory engineering work was to determine both the volume of the fill and the area in the bay from which the materials could be obtained (R. 30). Simpson wanted this information, "in order to give the contractor to show him what the job consisted of" (R. 131). The purpose of making these surveys was "to give the contractor a picture of the job that he was bidding on" (R. 131). This information was put on the plat (Ex. 2, R. 131). This map was furnished Palmberg prior to formation of the contract (R. 135). Simpson's witness could not recall giving Palmberg any other map (R. 136). The map showed, "the area where the dredged material can come from" (R. 137). At the time this map was furnished Palmberg, Simpson had completed the taking of all of its soundings (R. 152). The jury was entitled to believe that the map was given Palmberg "to show us the proposed work to be done, and where the materials and quantities of materials were to come from for doing the work" (R. 84). The jury was entitled to determine that no other plat or drawing was given the bidder (R. 136). The jury was entitled to believe that Palmberg based its proposal on that map (R. 453-454) and relied on the information contained on it (R. 455).

Thereupon Palmberg submitted by letter its proposal (Ex. A-1) which stated in part,

"... re your proposed dredging of sand, gravel and cobbles to maximum size of 8" at your Shelton, Washington plant, we offer to perform dredging in areas designated by you..."

This proposal contained no other designation of the amount of material to be dredged, no other description of the nature or location of the materials to be dredged, no designation of the depth to which the dredging was to be done, no designation of the location or size of the fill or of the height to which the materials were to be dredged. All of this information had been contained on the map, plat or diagram (Ex. 2) which Simpson had prepared from its engineering data and previously given Palmberg.

Nevertheless Simpson now claims that this proposal was full and complete on its face as to all of the details of the work. To sustain this argument, it contends that Palmberg's proposal should be construed to mean that Palmberg was offering at a firm rate, to dredge from any areas, no matter how far away, nor what type of materials or conditions might prevail, to any areas which might be subsequently designated by Simpson. Simpson's own resident engineer who negotiated the contract,

testified that this was not his understanding of the meaning of Palmberg's proposal (R. 790). Simpson attempts to justify its argument that this was the meaning of Palmberg's proposal by reference to paragraph 8 of that proposal. Subparagraph 5a of the proposal provided that payment should be dependent on the cubic yards dredged as computed by surveys made before and after dredging. The contract provided that payment was to be made on the basis of the amounts deposited in the fill, rather than the amounts dredged out of the cut. To assure itself that Simpson's surveys of the fill would be accurate, paragraph 8 of Palmberg's proposal read as follows:

"Measurement of quantities dredged shall be made at your expense by measurement of the areas filled. Platts or cross sections of surveys shall be given to us for checking before dredging commences and within thirty days after the completion of dredging operations."

Simpson now claims that the purpose of this requirement was *not* so that Palmberg might check the accuracy of Simpson's surveys evidencing the amount of materials which it put into the fill. Simpson now claims that the purpose of this paragraph was to "incorporate by reference" its *subsequently* prepared cross sections of the areas to be *dredged*.

Simpson also neglects to advise this Court that it agreed to the admission of a copy of this plat in the pretrial order (TR. 198), and made no objection to its ad-

mission into evidence when this was urged as a further ground for its admission (R. 132-134).

Paragraph 8 of Palmberg's proposal was obviously inserted in order to afford him an opportunity to check Simpson's measurement of the fill. It is similar to a provision in a logging contract which would require that scale sheets be submitted or a provision in a mining contract that proper evidence of the ore mined be given the other party.

The doctrine of incorporation by reference upon which Simpson relies is limited by the rule that when reference to another writing is made for a particular and specified purpose, such other writing becomes a part of the contract only for such specified purpose and to the extent of the reference, 17A C.J.S. Contracts, §299, 137; 13 Am. Jur. 2d, Building and Construction Contracts, §12, 16; Guerini Stone Co. vs. P. J. Carlin Construction Co., 240 U.S. 264, 36 S. Ct. 300, 60 L. Ed. 636, 642. Those authorities state that the document referred to can serve no other purpose than the one specified and is foreign to the contract for all other purposes. Obviously in this instance the only purpose in referring to the before and after surveys of the fill was so that Palmberg might check their accuracy to determine its proper pay quantities and this provision could not conceivably have incorporated any such cross section subsequently furnished as intended to change the amounts and locations of the materials to be dredged.

In this case Simpson's plan, (Ex. 2) was clearly admissible. In *Maryland Casualty Co. vs. Seattle* (1941) 9 Wn. 2d 666, 116 P. 2d 280, the Court recognized and approved this basic principal of law, citing from an annotation in 76 ALR 268, 269,

"The general rule may be deduced from the decisions that where plans or specifications lead a public contractor reasonably to believe that conditions indicated therein exist, and may be relied upon in making his bid, he will be entitled to compensation for extra work or expense made necessary by conditions being other than as so represented."

Similar principles are set out in the case of *Montrose Contracting Co. vs. County of Westchester* (CA 2, 1936) 80 F. 2d 841 at pg. 842:

"Where one party furnishes specifications and plans for a contractor to follow in a construction job, he thereby impliedly warrants their sufficiency for the purpose in view. United States v. Spearin, 248 U.S. 132, 39 S. Ct. 59, 63 L. Ed. 166; Penn Bridge Co. v. City of New Orleans, 222 F. 737 (C.C.A. 5); Mac-Knight Flintic Stone Co. v. Mayor of New York, 160 N.Y. 72, 54 N.E. 661. The specifications outlined above would be adequate only where the tunnel was to be built in free air. Thus the appellee, setting out these specifications to be followed, impliedly warranted the tunnel was substantially a free air job. Whether the builder was damaged in proceeding with the work in reliance on this implied warranty, as in the cases supra, or whether he was damaged in relying on the warranty in making his bid, as he did here, he may recover. Christie v. United States, 237 U.S. 234, 35 S. Ct. 565, 59 L. Ed. 933; Hollerbach vs. United States, 233 U.S. 165, 34 S. Ct. 553, 58 L. Ed. 898."

In the case of Meachem vs. Dioguardi (1932), 166 Wash. 684, 8 P. 2d 293, the prime contractor had contracted with the United States to do work on buildings in accordance with plans and specifications prepared by the United States. Thereafter the contractor, by written contract, sublet "all electric work according to the plans and specifications" to a subcontractor. The evidence showed that the subcontractor submitted its bid based upon a copy of those plans and specifications given it by the contractor. However, the plans given it by the contractor did not include one sheet which would have required some additional wiring. The contractor contended that the Trial Court erred in admitting in evidence those plans and the oral testimony of the subcontractor that it submitted its bid and contracted with reference thereto. The Court disagreed and held that those plans and oral testimony were clearly admissible. It held that the subcontractor had a duty to perform the work in accordance with the plans given it "for the purpose of submitting a bid". Said the Court at page 687:

"Stripped of all unnecessary verbiage, we here have a situation of a general contractor furnishing an incomplete or defective set of specifications to a subcontractor upon which to submit a bid or estimate. This is not a case where the subcontractor seeks to escape the effect of his contract by claiming that he never saw or examined the specifications. Manifestly, it would be inequitable and unjust to hold that a subcontractor cannot rely upon specifications given to him for the express purpose of submitting a bid. The rights of the parties are to be measured and determined by the particular set of specifica-

tions (exhibit "B") upon which the respondents submitted their bid."

The admission of this plan clearly did not violate the parol evidence rule because it was in no way inconsistent with Palmberg's proposal. On the contrary, it was entirely consistent with that proposal. Likewise, this plan did not in any way contradict that proposal. On the contrary, Simpson is claiming that it was entitled to contradict the contract and change the obligation of Palmberg because it subsequently furnished cross sections of some of the areas to be dredged, which might have, if properly analyzed, indicated the work was different than that which Palmberg had originally agreed to perform.

Simpson Assignments of Error Nos. 12, 13, 14 and 15

Simpson here complains that the Court should have granted its various motions to dismiss and direct verdict in its favor. It is the law of the State of Washington that upon making motions of the type referred to in this assignment the defendant,

"... admits the truth of plaintiff's evidence and all inferences favorable to them arising therefrom, and in ruling upon the motion, if the evidence allows more than one reasonable interpretation, the court must interpret the evidence most strongly against the moving party and most favorably to the opposing party. The court cannot grant the motion unless there appears to be no substantial evidence to support the claim."

Merrick v. Sears, Roebuck & Company (1965) 67 Wash. Dec. 2d, 419.

As this Court stated in Walla Walla Port District vs. Palmberg, (CA 9, 1960) 280 F. 2d 237, 246,

"It is to be remembered that the appellee was the prevailing party before the District Court; that all issues of fact were resolved by the jury adversely to the appellant; and that appellee is entitled to the benefit of all favorable inferences from the facts proved relative to the issue of liability."

In its argument on these assignments Simpson attempts to reverse this rule entirely, and in effect asked the Trial Court and now asks this Court to disregard all of plaintiff's evidence and to assume the truth of defendant's evidence and all inferences favorable to the defendant, and to interpret the evidence in favor of Simpson, rather than against it. Simpson's arguments on these assignments, as are practically all its arguments on this appeal, are factual rather than legal. Simpson was permitted to submit and argue fully all of these points to the jury which rejected them.

At page 56 of its brief, Simpson's attorneys state that the "apparent" grounds of Palmberg's claim were as stated by them. They then attempt by reference to evidence *most* favorable to their position to resolve those issues. The grounds upon which Palmberg relied were not those outlined in Simpson's brief. By way of comparison, Palmberg here summarizes its actual grounds:

(1) Damages and extra costs incurred because there proved to be substantially less than the 350,000 yards which Simpson had represented to be available in the

primary area. Additional materials had to be obtained, not only from the area east of the primary area (which was proved to be trashier and to contain many more buried piling than the area originally designated), but also from the ferry channel (which proved substantially trashier) and some from the substitute area (which was replete with many more sinker logs). All had to be pumped longer distances and the adverse conditions encountered in each of these farther areas compounded the problem and greatly increased the costs.

- (2) Palmberg claimed no damages because of encountering debris other than those damages which resulted from being required to dredge and pump excessive debris from longer distances in areas more trashy than those originally agreed, damages for the value of extra work in encountering and cutting out buried piling in the extended area (which it never originally agreed to dredge) and in coping with the extra amount of obstacles, such as concrete blocks and Simpson's sinker logs in the substitute area, as to that portion thereof in which Palmberg was required to dredge extra materials.
- (3) Compensation for *all* rather than only a part of the materials placed in the fill. The unrebutted evidence showed that there had obviously been placed in the fill substantially more than the yardage for which Simpson offered to pay. The evidence also conclusively showed that Simpson blatantly breached its contractual obli-

gation to furnish Palmberg cross sections of surveys of the completed fill.

- (4) At trial Palmberg did not seek damages directly resulting from changes in the work. Palmberg's theory was that it voluntarily acquiesced in those changes at a time when it was still assuming that materials were available in the areas as originally represented. Its theory was that it would not have acquiesced in those changes had it then known that it was going to be required to dredge additional materials from areas more distant, more trashy and more obstructed, because the changes to which it originally agreed subsequently required it to dredge the additional materials even longer distances.
- (5) This is the only of Palmberg's contentions which Simpson in its brief fairly states. Palmberg did suffer damage because it was required to pump the additional materials for distances greater than those contemplated by the contract.

By the first subsection of its argument on these assignments, Simpson argues that Palmberg was not damaged even though it had to obtain approximately 128,000 cubic yards of materials from trashier and more obstructed areas, all farther away from the fill than the primary area. Palmberg never denied that had there been 350,000 yards available in the primary area, it would still have been required to pump another 100,000 yards from some of the other areas. However, its

claim for damages was because it was required to pump more than twice that extra amount from the farther and trashier areas and in some instances from areas which it never originally agreed to dredge. The 1,500 feet of pipe line which Palmberg agreed to provide was to be a maximum. The evidence showed that in some instances, because of Simpson's original error, it had to provide up to 2,700 feet of pipe line. The outer boundary of the primary area in which there was supposed to be 350,000 yards was only 600 feet away from the fill. That area could obviously have been dredged with average pipe line distance of 600 feet. Simpson argues that Palmberg was not damaged because it was able to obtain some of that additional yardage by pumping somewhat over twice that far.

In the second subsection of this argument (brief 65) Simpson argues that the changes which Simpson directed in the method and manner of the work during its prelminary stage, did not increase Palmberg's costs because Palmberg at that time agreed to them. There was never any dispute that Palmberg agreed to those changes and it never sought any specific recovery by reason thereof. As previously indicated, its theory was that it would not have agreed to those changes had it known that it subsequently was going to have to go farther away to get the needed materials, but that those changes did compound its damages when it later became necessary to get the needed materials from farther away.

In its next subsection (brief 66), by adopting that portion of the evidence most favorable to it Simpson argues that the vardages dredged into its fill must have exactly corresponded with its predredging surveys, even though the evidence showed that its predredging survevs were based on a one to one slope while the completed slope obviously contained many thousands more vards of material (R. 584-588, 806, 815, 940-941). This factual argument was also made to the jury which had a right, on the basis of other testimony to disregard it. To illustrate the invalidity of this argument to an appellate court, Palmberg has inserted as its Appendix No. 1 to this brief a comparison of the quantities which Simpson here claims were dredged from each of the respective areas, with the amounts which the jury was entitled to believe were actually dredged from each of those respective areas. This collation also shows a comparison in those same areas of the amount of material which Simpson from its surveys and cross sections originally computed to be available in each, the amounts which Simpson represented on its map to be available in each, and a notation as to whether or not Simpson ever furnished any cross sections to Palmberg of each of these areas. That comparison clearly shows that the cross sections of those of the dredge areas which Simpson gratuitously furnished did not designate the areas to be dredged and the amounts of materials available in each area as specifically represented by Simpson at page 59 of its brief. Those cross sections did cover some of the areas to be dredged, but also included other areas which were *not* dredged and were *not* intended to be dredged and excluded substantial areas which were to be dredged. It seems inconceivable that Simpson under this state of the facts would argue that those cross sections did or were intended to designate the areas to be dredged. If this were so, Simpson's error and misrepresentations would be even grosser than those contained on the map which Simpson furnished Palmberg upon which to base its bid!

The next subsection deals with alleged damages resulting from encountering debris. As previously shown, at trial Palmberg did not seek any damages for debris in dredging the quantities in the amounts originally designated in the respective areas.

In the final section of its argument on these assignments, Simpson again argues that the jury should have adopted its argument that the increased pumping distances of up to 2,700 feet were not its fault, despite the fact that the jury was clearly entitled to believe otherwise. It also again propounds the obviously invalid argument that the doubling or tripling of the required pumping distances for much of the materials over the supposed distances upon which Palmberg bid, did not damage Palmberg because it had agreed to furnish a maximum of 1,500 feet of pipe line for the work to be performed. Palmberg's expert testimony was directly to the contrary, but it would not require any expert testimony to understand the apparent invalidity of such an argument.

Obviously, the exact extent of Palmberg's damage could not be proved with mathematical certainty. In pumping under pressure unseen materials from underneath the ground and water from varying depths and under varying conditions for varying lengths and to varying heights, it is obviously difficult to ascribe any dollar amount of increased costs to any one of these varying factors. However, no error is assigned to the competency of any of Palmberg's experts, nor to the nature of the questions or answers given by them. Each of these experts were of the opinion that Palmberg's damages greatly exceeded the amount which the jury allowed and the jury was fully entitled to believe or adopt all or any portion of their testimony. As pointed out in the case of Walla Walla Port District vs. Palmberg (CA 9, 1960) 280 F. 2d 237, 249, and the Washington cases cited therein, in a case such as this damages need not be proved with mathematical certainty. In this case there was no uncertainty whatsoever as to the existence of the damages nor of their causation.

Simpson's Assignment of Error No. 16

By this assignment Simpson is claiming that the jury verdict against it on the supposed issue of its damages for delay in completion of the contract was erroneous. The issue was fully and fairly submitted to the jury. No assignment is made as to the admission or rejection of any evidence, to the Court's instructions, or to its rulings.

By Palmberg's argument on its Assignment of Error No. 3, it has been shown that Palmberg surely did not by the written contract agree to complete the work by any specific date and that issue should not even have been submitted to the jury. Evidence of discussion of a supposed completion date was admitted over Palmberg's objection that it violated the parol evidence rule, even though Simpson claimed and is claiming that the parol evidence rule is applicable to this contract (R. 707, 757. See also Colloguy, R. 742-746). The original proposal did make specific provision for rate of progress. providing that dredging should be carried on 24 hours per day, five or six days per week. There was never any contention that this provision was not fully complied with. Indeed the evidence showed that normally the dredges worked six rather than five days a week and work was even done on Sundays to attempt to keep the dredges in repair.

In any event, the jury was clearly entitled to believe that Simpson waived any supposed requirement as to a definite completion date when Ashford gave permission for removal of the second dredge from the job prior to June 1 (R. 777). At Simpson's request the Court submitted the issue of whether there was any *implied* obligation to complete the work within a reasonable time (Instruction No. 13, R. Vol. VI, 24a), and also at Simpson's request gave its Instruction No. 17 (R. Vol. VI, 28) as to an *implied* condition that the contractor was obligated to furnish proper equipment, even though Simp-

son argues that Palmberg did not have the right to rely on any implied conditions or warranties. By its Instruction No. 34 (R. Vol. VI, 39), also proposed by Simpson, the Court instructed the jury at great length on this supposed implied condition of a reasonable completion time.

Under the evidence the jury was entitled to find that the time within which the contract was completed was entirely reasonable under the extremely adverse circumstances encountered. The testimony of Ashford, Simpson's engineer, indicated that under the conditions originally outlined, Palmberg expected production of between 150 and 200 vards an hour (R. 759). Under the conditions actually encountered, production averaged only about 65 yards per hour (R. 375). The sliding pay scale in the contract itself indicated that the parties believed Palmberg's compensation would range from \$48.00 an operating hour down to \$40.00 an operating hour. For a little redredging which Palmberg agreed to do at the end of the contract on a straight rental, the parties agreed on the rate of \$40,00 per operating hour (R. 383). As the work proved out, under Simpson's computation Palmberg would have received only \$25.60 per hour (R. 393), within which would have been included the \$16,187.00 balance which Simpson wrongfully withheld. This does not even take into account, nor would it have included any compensation to Palmberg whatsoever for the expensive down time and breakage and replacement of equipment. Obviously, under these

conditions the jury was entitled to find that the work was completed well within a reasonable time.

In addition, the jury was entitled to disregard Simpson's extremely tenuous testimony of any supposed damages. This assignment is without foundation.

CONCLUSION

Simpson, although always admitting that Palmberg had dredged at least 460, 947 cubic yards and was clearly entitled to at least the sum of \$16,187.00, wrongfully refused to pay that additional amount unless Palmberg would forego its claim for additional compensation to which the jury found it was entitled. On its own pleading Simpson admitted that Palmberg was entitled to at least that additional sum and alleged that it had refused to pay it only on the basis of supposed counter claims which on trial proved groundless. For over four years Simpson has had the use of that sum and Palmberg has been wrongfully deprived of its use. Under the facts and law, Palmberg is entitled to interest on that amount.

With reference to Simpson's appeal, its argument is based entirely on its construction of the facts and evidence. The jury, properly instructed, has determined the factual issues. Simpson had every benefit, both of the law and the extremely favorable and probably erroneous ruling of the Pretrial Judge. It has absolutely no grounds of complaint with reference to the small amount

of the verdict which the jury awarded. Even though the work proved entirely different and more expensive than as represented by Simpson or contemplated by either party, the net award for additional compensation, exclusive of sales tax, was only \$17,616.84.

The judgment should be increased by the amount of the interest to which the plaintiff was obviously entitled, and in other respects, affirmed.

Respectfully submitted,

Blair, Thomas, O'Hern & Daheim James E. O'Hern Attorneys for Appellant-Appellee Palmberg

CERTIFICATE

I certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that in my opinion, the foregoing brief is in full compliance with those rules.

James E. O'Hern
Of counsel for Palmberg



	As per information Furnished other Bidders (R. 231) from Simpson's Ex. 8	As per miormanon Furnished Palmberg by map (Ex 2)	ns per nepresentation On P. 66 of Simpson Brief	no pot necua: teominoriy	
Primary	222,370	350,000	222,370	Unknown (R. 523) but probably at least 222,000 (R. 520)	Yes
Car ferry	8,370 (to minus 1.0)	25,000 (to minus 1.0)	35,000	35,000 to 40,000 (pre- trial, TR. 139) but dredged much deeper than -1.0) (R. 368)	Yes
Substitute	155,000	Area not shown but Palmberg shown aerial; told 75,000 (R. 105)	80,000	Unknown (R. 516, R. 521, R. 522, R. 523)	No! (R. 526, R. 521-522)
Log pond (slip)	24,810	None	15,000	Unknown (R. 521) but probably maximum of 15,000 (R. 521)	No! (R. 526)
Log dump	None	75,000 (but agreed prior to contract Palmberg not to dredge because too trashy) (R. 105-110)	None	None	Yes! (R. 526)
Extended (East of primary)	31,000	None	107,000	Unknown (R. 513, 522-523)	Yes (Indicating 31,000)



United States Court of Appeals For the Ninth Circuit

Palmberg Construction Co., an Oregon corporation, Appellee,

v.

SIMPSON TIMBER COMPANY, a Washington corporation, Appellant.

UPON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON,

SOUTHERN DIVISION

Honorable John C. Bowen, Judge

BRIEF OF APPELLANT

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IN THE United States Court of Appeals For the Ninth Circuit

No. 20219

Palmberg Construction Co., an Oregon corporation, Appellee,

v.

SIMPSON TIMBER COMPANY, a Washington corporation, Appellant.

Upon Appeal from the United States District Court for the Western District of Washington, Southern Division

HONORABLE JOHN C. BOWEN, Judge

BRIEF OF APPELLANT

JURISDICTION

The Palmberg Construction Company (hereinafter appellee) commenced this action on August 22, 1963, in the United States District Court, Western District of Washington, Southern Division. The appellee is an Oregon corporation, with its principal place of business in Astoria, Oregon (appellee's complaint, *Ct. p. 1).

^{*}The clerk's Transcript of Record and the reporter's Transcript of Proceedings are not paginated consecutively. In order to avoid confusion, all references in this brief to the clerk's Transcript of Record are identified by the symbol Ct. and all references to the reporter's Transcript of Proceedings are identified by the symbol Rt.

The suit arose out of certain dredging work done by the appellee for the appellant at its Shelton, Washington, plant. The Simpson Timber Company (defendant in the trial court, hereinafter appellant) is a Washington corporation with its principal place of business in Washington (appellee's complaint, Ct. p. 1).

The appellee in its complaint alleged misrepresentation inducing the appellee to enter into a dredging contract. The amount in controversy exceeded \$10,000.00. Jurisdiction in the trial court was based on the provisions of Title 28, U. S. Code, Section 1332.

Final judgment was entered after trial of the cause on April 15, 1965. The appellant now appeals from that judgment. Jurisdiction in this court is based on Title 28, U. S. Code, Sections 1291 and 1294, (1).

CONCISE STATEMENT OF THE CASE

During the year 1959, the appellant was planning a project at its Shelton, Washington, plant which entailed the filling of a portion of its waterfront property with materials to be dredged from the adjacent harbor area.

Appellee, a dredging contractor, after conducting its own investigation of the Shelton harbor area on at least two occasions (Rt., p. 80, ll. 4-5, Rt., p. 86, ll. 8-10) submitted a bid proposal in writing to do the filling requested by the appellant (defendant's Ex. A-1). This bid was dated the 29th day of December, 1959, and was accepted by the appellant's purchase order dated Janu-

ary 12, 1960 (defendant's Ex. A-3).

Although the contract provided that dredging would commence in January, 1960, appellee did not commence work until after the middle of February, 1960 (Rt., p. 441, ll. 14-15). In February of 1960 the appellant requested that the December 29 contract be modified to provide that the appellee would furnish a second dredge to the operation in order to assure that the filling would be completed no later than June, 1960 (plaintiff's Ex. 10). This modification was agreed to and operated upon by the appellee for the additional consideration provided in the modification. Plaintiff's Ex. 10 and plaintiff's Ex. 9, evidencing this modification, together with defendant's Ex. A-1 and defendant's Ex. A-3, constitute the written contract between the parties (Pretrial Order, Ct. p. 139).

The appellee, when preparing its bid proposal, expressly limited its obligations under the contract to the furnishing of certain equipment (including 1,500 lineal feet of pipeline) to do the work to be performed, which was described as:

"We offer to perform dredging in areas designated by you in accordance with the following stipulated provisions:" (Appellee's December 29 bid proposal, defendant's Ex. A-1, p. 1.)

The contract which was prepared by the appellee (Rt., p. 91, ll. 20-22) provided that the appellant would furnish to the appellee cross sections of surveys prior to the time that dredging commenced. The contract prepared by the appellee made no mention of or refer-

ence to any other plans or specifications.

The appellee commenced its dredging and filling operations on February 17, 1960 (Rt., p. 441, ll. 14-15) and completed them on March 28, 1961 (Rt., p. 928, ll. 17-18), thirteen months after commencement and nine months after the promised date of completion.

Pursuant to the terms of the written contract, the appellee, during the course of its operations, submitted to the appellant monthly estimates of fill material placed by it and monthly payments were made to the appellee on the basis of these estimates. In October of 1960, some seven months after the appellee had commenced its operations, the appellant caused a survey of the fill to be made (plaintiff's Ex. 33). This survev revealed that the appellee's estimates of fill materials placed were about 80,000 yards in excess of materials actually placed and the appellant's payments to the appellee were correspondingly high. The results of this survey were given to the appellee (plaintiff's Ex. 11). About a month thereafter, the appellee's president, by letter to the appellant (plaintiff's Ex. 25), indicated that the work was more costly than the appellee had originally estimated, and suggested that:

"... and we would appreciate after you have had the opportunity to give consideration to all factors pertaining to our dredging operations, discussing and analyzing further with you the *possible* reimbursement of some of our excess costs in connection with your project." (Plaintiff's Ex. 25.) (Emphasis added)

Subsequently, the appellee furnished to the appellant what purported to be its cost data (plaintiff's Ex. 14). After completion of the filling operations, negotiations continued for the purpose of determining if the appellee was entitled to compensation in addition to that provided for in the contract. The appellee took the position that it was entitled to additional compensation for the reasons that:

- 1. In the conduct of its dredging operations, it encountered debris in the nature of bark, limbs, swifter wire, sunken logs, buried piling, etc., which adversely affected its operations and which appellee alleged were not included within the contract, and
- 2. It was required to pump materials greater distances than provided for in the contract.

The appellant denied that the appellee was entitled to additional compensation for the given reasons because:

- 1. The contract between the parties expressly provided for the occurrence of debris and the appellee could not be entitled to additional compensation for that reason.
- 2. Any pumping of materials greater distances than 1,500 feet was the result of appellee's lack of skill and care in the planning of its operations.
- 3. The failure of the appellee to complete the work within the contract period and for delay in completion of almost nine months was because:
 - (a) the appellee's dredges were inadequate to do

the work;

- (b) The appellee's dredges were improperly maintained; and
 - (c) That appellee improperly planned its operations.

Although it is the appellant's position that it suffered damages because of the appellee's failure to complete the operation within the period of time provided, it offered in settlement of the matter, payment to the appellee as provided for in the contract, without any offset because of damages suffered by the appellant (plaintiff's Ex. 16). This offer was rejected by the appellee and this law suit was commenced.

SUMMARY OF PLEADINGS, PRETRIAL MOTIONS AND ISSUES

In its complaint, the appellee alleged that it was induced to enter into the December 29 contract by representations of the appellant with respect to materials it would encounter during the course of its filling operations and representations of the appellant with respect to the location of the materials to be dredged. The appellee contended that these representations were untrue and that it therefore was entitled to recover the reasonable value of its work. The appellee further alleged that:

"During the course of the work defendant (appellant) also requested and was granted some *minor* changes in the manner and sequence of the work performed." (Appellee's complaint, p. 3, Ct. p. 3.)

The appellant's answer denied the material allegations

contained in the appellee's complaint and counter-claimed against the appellee for damages incurred as a result of the appellee's failure to complete the work within the time provided (Ct. p. 7-10).

Subsequently the appellant brought the first of its motions for summary judgment in which it sought the court's ruling that the appellee's claim for relief, if any, based on fraud or misrepresentation was barred by the statute of limitations (Ct. p. 84). This motion was denied with leave to renew once the pretrial order had been entered (Ct. p. 129).

An extensive pretrial order subsequently was entered (Ct. pp. 137-214). As a part of this pretrial order the appellee stipulated:

"That the plaintiff does not and will not make claim for relief in this action based on fraud or deceit on the part of the defendant." (Ct. p. 138)

In the pretrial order, the appellee raised as issues the existence of warranties arising as implied warranties from the contract itself or expressed warranties arising out of alleged statements of the appellant made prior to the execution of the contract. These warranties purportedly dealt with the matter of debris contained within the materials to be dredged and the location of materials to be dredged.

The appellee attempted to raise as additional issues:

1. An implied warranty on the part of the appellant of the accuracy of a certain diagram identified as plaintiff's Exhibit 2. This preliminary diagram indicated that

there were 350,000 yards of material available to be dredged within an enscribed area (the primary dredge area°) when, in fact, there were only 222,370 yards (plaintiff's Ex. 8). It is the appellant's position that this diagram was no part of the contract between the parties.

2. An implied promise by the appellant to pay the appellee additional compensation. The appellee contended this implied promise arose because the appellant discussed with the appellee its alleged grounds entitling it to additional compensation.

Following the entry of the pretrial order, the appellant brought its second motion for summary judgment before the Honorable George H. Boldt, who ruled (Ct. pp. 134-136) that the contract contained no warranties with respect to debris to be encountered by the appellee in its dredging operations, that the contract specifically provided for the occurrence of debris within the materials to be dredged, and that evidence inconsistent with the contract was inadmissible at the time of trial. By this same motion, the appellant sought to have the court rule that the diagram (plaintiff's Ex. 2) was inadmissible in evidence at the time of trial on the basis of the parol evidence rule. The court declined to so rule, but did order that no party could make mention of that diagram until the court had further ruled on its admissibility (Ct. pp. 134-136).

The cause was then moved to the Northern Division,

^{*}Throughout the reporter's transcript of this brief there are references to certain areas of the Shelton harbor which were identified at the time of the trial. A diagram is provided at Appendix I of this brief to aid in understanding the geographical relationship of these areas.

Western District, of the United States District Court for the State of Washington for trial before Judge John C. Bowen.

After trial of the cause before the jury, judgment was denied on the appellant's cross-complaint and granted against the appellant and in favor of the appellee in the amount of \$34,508.51. Prior to the submission of the cause to the jury (Rt. pp. 668 and 949), the appellant moved for a directed verdict, which motions were denied. Subsequent to return of the verdict, the appellant moved for judgment notwithstanding the verdict, or in the alternative for a new trial (Ct. pp. 244-c-246), which motions were denied. From these judgments and rulings, the Simpson Timber Company appeals.

SPECIFICATIONS OF ERROR

Assignment of Error No. 1

The trial court erred in giving the following portion of its statement of the case (which statement of the case was prepared by appellee):

"This action was brought to recover for the amount allegedly remaining due plaintiff for the work. Plaintiff claims that it is entitled to the reasonable value of the work which it alleges is the sum of \$274,885.00, including the 4% Washington State sales tax." (Court's Instructions, p. 2, ll. 22 through p. 3, l. 1)

Appellant objected to this portion of the court's statement of the case for the reason that there was no legal theory available to appellee which would entitle it to recovery for its estimate of reasonable value of the work, rather than the value placed in the contract.

Assignment of Error No. 2

In the trial court's statement of the case there is found the following language:

"In particular plaintiff claims that under the contract its obligation was limited to the dredging of sand, gravel and cobbles to a maximum size of 8 inches and the furnishing only of approximately 1,500 lineal feet of pipeline for the work to be performed, but that during the course of the work it developed that there were great amounts of foreign material other than sand, gravel and cobbles in the area and included among the materials required to be dredged such as forest trash and debris, wire, boom chains, sunken logs, buried or submerged pilings." (Court's Instructions, p. 2-a, ll. 18 through p. 3, l. 3)

The appellant assigned error to the giving of this portion of the court's statement of the case for the reason that the court thereby submitted to the jury matters which had been previously determined by order of the court. The court in ruling on appellant's motion for summary judgment held that the contract between the parties specifically provided for the occurrence of debris within the materials to be dredged (Ct. pp. 135-136). The matter of said debris was not such as should be submitted to the consideration of the jury.

Assignment of Error No. 3

The trial court erred in giving its Instruction No. 7°

[°]At the time of trial, the appellant assigned error according to the instruction number assigned by the appellee in submitting instructions. These numbers do not correspond with the numerical designation on the instructions in the reporter's transcript. Appendix No. II indicates the relationship between the appellee's designation and the reporter's designation.

as follows:

"You are instructed that the defendant had a duty to divulge to the plaintiff all relevant information which it had with reference to the location of the materials to be dredged, the nature of the materials to be dredged, and any substantial obstacles likely to be encountered in attempting to dredge the materials, which the defendant had in its possession, and that the plaintiff in submitting its proposal had the right to rely upon the reasonable belief that defendant had divulged all such relevant information in its possession." (Court's Instructions, p. 20, l. 17 through p. 21, l. 1)

The appellant objected to this instruction at the time of trial for the reason that it does not state the law. When parties are negotiating for the consummation of a contract, one party has no duty to reveal to the other party information known to it unless the first party should request that it be given all information known to the other or the other party has reason to know that the first party is laboring under a misapprehension of fact.

Assignment of Error No. 4

The trial court erred in giving its Instruction No. 20 as follows:

"Should you determine that the plaintiff believed and was reasonably entitled to believe that under the contract it would not be required to dredge foreign materials other than sand, gravel and cobbles to the extent actually encountered, and if you further find that the defendant, or its agents, had information in their possession which indicated to them or should reasonably have indicated to them that there were in the materials to be dredged a substantial

amount of materials other than sand, gravel and cobbles which were not reasonably known to the plaintiff and that the defendant failed to disclose its information concerning them, notwithstanding that inquiry was made by the plaintiff which reasonably called for such information or disclosure, and if you further find that the plaintiff in conducting its dredging operations was reasonably and necessarily subjected to additional costs as a direct result of the dredging and encountering substantial quantities of such foreign materials, you should return a verdict in favor of the plaintiff and against the defendant for such extra costs and time loss as you may find directly resulted from such foreign materials being present to the extent not contemplated by the parties." (Court's Instructions, p. 30, l. 10 through p. 31, l. 6)

Appellant objected to the giving of this instruction at the time of trial for the reason that the matters contained therein had already been determined as a matter of law by the order of the court. It was erroneous and prejudicial to the appellant to submit said instruction to the jury.

Assignment of Error No. 5

The trial court erred in giving its Instruction No. 22 as follows:

"If you find that under the terms of the contract the plaintiff was not obligated to dredge any substantial quantities of materials other than sand, gravel and cobbles and if you further find that plaintiff was required by defendant to dredge substantial quantities of materials other than sand, gravel and cobbles not covered by the contractor (sic) you are instructed that in that event plaintiff would be entitled to recover additional compensation for its additional costs and time expended in dredging such foreign ma-

terials." (Court's Instructions, p. 32, ll. 15-24)

Appellant objected to this instruction at the time of trial for the reason that it leaves to the jury matters which had been theretofore determined as a matter of law, i.e. matters dealing with debris or materials other than sand, gravel and cobbles to be encountered by the appellee in its dredging operations.

Assignment of Error No. 6

The trial court erred in giving its Instruction No. 24 as follows:

"If you are unable to determine alone from the written agreement of the parties whether or not the written agreement is complete and covered each and all of the terms agreed upon, you are permitted to consider the circumstances surrounding the formation of the agreement to determine whether or not it is full and complete.

"When a written agreement is not complete upon its face or does not cover all of the terms and conditions agreed upon, resort may be had to other evidence to explain the agreement respecting the incomplete matters." (Court's Instructions, p. 33, ll. 15-25)

The appellant objected to this instruction of the trial court for the reason that it leaves to the determination of the jury which matters are covered or which matters are not covered within the contract. It is the law that the court must determine if an ambiguity exists in a contract. It is improper, erroneous and prejudicial to the appellant to leave to the jury the determination of whether or not an ambiguity exists in a written contract.

Assignment of Error No. 7

The trial court erred in giving its Instruction No. 25 as follows:

"Should you determine that the language used in the written contract renders either the meaning or intent of the parties doubtful when given their ordinary meaning, you are then permitted to consider evidence of the surrounding circumstances to determine the true meaning and intent of that language, but in such event you shall not use evidence of those surrounding circumstances to vary or contradict the specific terms of the written instrument or instruments themselves." (Court's Instructions, p. 34, ll. 1-11)

The appellant objected to the giving of this instruction by the trial court for the reason that it leaves to the jury the determination of whether or not an ambiguity exists in the contract. It is for the court to determine whether an ambiguity exists.

Assignment of Error No. 8

The trial court erred in giving its Instruction No. 27 as follows:

"To be enforceable in law a promise requires a valid consideration. To make a promise enforceable there must be either some reciprocal benefit running to the one who makes such a promise or some detriment to the one to whom such promise is made, and a promise without such consideration cannot be enforced.

"Thus, if two parties have entered into a valid and enforceable contract and during the performance of it one promises the other to pay more money than originally agreed upon without the other promising to do any additional work or giving up any right or remedy which it might have, such a promise would not be enforceable.

"However, if during the performance of a contract, one of the parties has a right to avoid or rescind the contract and gives up that right in return for an express or implied promise to pay additional compensation, such a promise is enforceable." (Court's Instruction, p. 35, l. 10 through p. 36, l. 1)

The appellant objected to the giving of the above instruction by the trial court for the reason that said instruction was not supported by any evidence in the case, either circumstantial or direct.

Assignment of Error No. 9

The trial court erred in giving its Instruction No. 28 as follows:

"One party to a contract has no right to avoid that contract even though that party entered into the contract laboring under a mistake, unless that mistake was the result of a breach of duty which the party owed him. 'Mistake' means a state of mind that is not in accord with the fact.

"However, if when a contract is entered into both parties are laboring under a material fact assumed to be true by each of them as a basis on which they entered into the transaction, either party has a right to avoid or rescind the contract when he discovers that mistake if the effect of the mistake is to make the contract more onerous to him than it would otherwise have been.

"Under such circumstances the right to avoid or rescind a contract arises as soon as the mistake is or should reasonably have been discovered, and this right may form the consideration for the making of a new or different promise, express or implied, by the other party." (Court's Instructions, p. 36, ll. 7-25)

The appellant objected to this instruction for the reason that the matters therein (the issue of mistake) was without the scope of the pleadings of the case, without the issues framed in the pretrial order and there was no substantial evidence submitted at the time of trial to support the instruction.

Assignment of Error No. 10

The court erred in admitting evidence over the objections of the appellant at the time of the trial relating to debris encountered by the appellee during the course of its dredging operations and the effect of that debris on its operations. The appellant at the time of trial objected to the admission of such evidence relating to debris, such as forest trash, sinker logs, swifter wires, buried or submerged pilings, bark, limbs, knots and other foreign objects encountered by the appellee during the course of its dredging operations within the materials to be dredged and the effect of that debris on the appellee's operations as follows:

"MR. Bush: Going back to the order of Judge Boldt in this case, the question of admissibility of evidence respecting the subject of trash and debris was presented to Judge Boldt, and his order which we have referred to earlier this morning, I believe, provides, first, that the subject of debris is covered by the contract; that there is no express or implied warranty concerning the quantity of debris to be encountered; and, thirdly, that evidence at the time of trial, with respect to the issue of—I am looking now at the last

paragraph on page 2 of that order. It provides that:

'said contract contains no warranty with respect to the quantity of forest trash, sinker logs, swifter wires, buried or submerged piling, bark, limbs, knots, and other foreign objects to be encountered by the plaintiff.'

and then next:

'That all evidence of statements, agreements, representations made or claimed to have been made prior to or contemporaneous with the date of said contract which varies, adds to, modifies or is contrary to the provisions of said contract respecting debris, including evidence concerning quantities to be encountered is inadmissible at the time of trial.'

"That order was entered on March 4, 1965. The plaintiff in his trial memorandum to the court, makes frequent reference to this matter of debris and we would request that the court admonish the plaintiff's counsel that this question is covered by this order and it is not a proper matter of evidence or argument to the jury." (Rt., p. 30, l. 23 through p. 32, l. 4.)

The appellant's objection was overruled by the court (Rt., pp. 39, l. 15 through p. 40, l. 4). The appellant excepted to this ruling as follows:

"MR. Bush: Could I ask then this exception be noted to that ruling, that a standing exception be considered to exist to any statements of counsel, or any examination of his witnesses respecting this subject matter of debris?

"THE COURT: The court grants that request in toto. Did you hear the court's statement?" (Rt., p. 40, ll. 5-11)

Evidence introduced by the appellee relating to the matter of debris is found in the transcript at: Rt.,

p. 368, ll. 24-25; Rt., p. 369, ll. 19-22; Rt., p. 379, l.
14 through p. 382, l. 6; Rt., p. 383, l. 19 through p.
386, l. 20; Rt., p. 531, ll. 15-18; Rt., p. 533, l. 16
through p. 541, l. 24; Rt., p. 542, ll. 13-23; Rt., p. 548,
l. 13 through p. 559, l. 6; Rt., p. 564, ll. 19-20; Rt., p.
631, l. 13 through p. 635, l. 25.

Assignment of Error No. 11

The trial court erred in overruling the appellant's objections to the admission in evidence of that certain diagram identified as plaintiff's Ex. No. 2 and all collateral evidence relating thereto.

The appellee sought admission of this diagram on the grounds that it identified the work appellee contracted to do.

The appellant urged as objections to the admission into evidence of plaintiff's Ex. 2, the following:

"Mr. Bush: But, your honor, the parol evidence rule which I think is clear on this point would not permit the admissibility in a contract case, such as this, of conversations, documents, et cetera, occurring prior to the date of the written contract if the subject matter alleged to have occurred in such contracts is fully covered by the contract itself; and we submit, your honor that it is (Rt., p. 19, ll. 14-19)."

and again:

"Mr. Bush: Your honor, I now object to the admission of either exhibit 1 or 2 in evidence in this case because it is clear, I believe, from the plaintiff's testimony, that neither of these docu-

ments were referred to in the contract which was subsequently entered into between the parties, and that, in fact, there was referred to and incorporated in that contract, reference to the location and quantities of materials which were to be removed (Rt., p. 92, ll. 14-22)."

These objections were overruled by the court (Rt., p. 93, ll. 16-19).

Plaintiff's Ex. 2 which contradicts the parties' written contract, is identified in substance at Rt., p. 134, l. 8 through Rt., p. 146, l. 5.

Assignment of Error No. 12

The trial court erred in refusing to grant the appellant's motion for a directed verdict pursuant to Rule 50, Federal Rules of Pleading, Practice and Procedure, made at the conclusion of the appellee's case in chief (Rt., p. 668, l. 2 through p. 669, l. 8).

The appellant urged as grounds for this motion the fact that the appellee had failed to submit evidence of any breach of contract on the part of the appellant and that the appellee had not submitted sufficient evidence for the case to go to the jury.

Assignment of Error No. 13

The trial court erred in refusing to grant the appellant's motion for a directed verdict made at the conclusion of all evidence (Rt., p. 949, ll. 7-14).

The appellant urged as grounds for this motion, the fact that the appellee had failed to produce evidence which would when taken in its entirety by a reasonable and competent person be construed to be sufficient to support the appellee's case.

Assignment of Error No. 14

The trial court erred in refusing to grant the appellant's post trial motion for judgment in accordance with a motion for directed verdict, or in the alternative, a new trial (Ct. p. 244 C through p. 244G). The appellant urged as grounds for this motion the following:

"1. At the commencement of the trial of the above cause, the Court ruled, over the objections of the defendant, that the plaintiff would be allowed to introduce evidence dealing with matters relating to debris, such as, forest trash, sinker logs, buried or submerged piling, swifter wires, boom chains, bark, limbs, knots and other foreign objects, and the quantity thereof, which were encountered by plaintiff in its operations. Such evidence was admitted, over the continuing objections of the defendant, at the trial of the cause. The admission of such evidence was contrary to the specific order of the Court (March 24, 1965 Order Granting Partial Summary Judgment entered by Judge George H. Boldt). At the commencement of the trial, the Court ruled that such evidence would be admitted inasmuch as the plaintiff represented that evidence would be produced during the trial to prove that the defendant had withheld from the plaintiff, prior to the formation of the contract, information known to the defendant with respect to such debris. During the trial the plaintiff submitted no evidence, direct or circumstantial, that (i) the plaintiff requested information from the defendant respecting debris; nor (ii) that the defendant withheld information respecting debris from the plaintiff; nor (iii) that the matter of debris was not contemplated or provided for in the contract prepared by plaintiff. Consequently, the submission to the jury of evidence relating to debris was erroneous, prejudicial to the defendant, and adversely

affected the substantial rights of the defendant.

"2. The Court erred in admitting in evidence plaintiff's exhibit No. 2, for the reason that the same was not incorporated in the contract between the parties, was not necessary for the construction of, the interpretation of, or the resolution of ambiguities in said contract, if any, and as a consequence its admission in evidence was contrary to the parole evidence rule, prejudicial to the defendant, and adversely affected the substantial rights of the defendant.

"3. The plaintiff wholly failed to submit to the jury evidence of the amount of its damages, if any, and the jury's award of damages could only be based on conjecture and speculation, and could not in any manner be related to evidence produced at the trial.

"4. The plaintiff wholly failed to prove that it sustained any damages for which the defendant is responsible.

"5. The plaintiff wholly failed to prove any damages, or excess cost, resulting from changes in its work, or the method or manner of its operations, done at the request of the defendant and further, by plaintiff's own testimony, each of said changes were made and accepted as an exchange of consideration.

"6. The Court erred in giving the plaintiff's statement of the case for said statement gave to the jury's consideration matters that were removed from its consideration by the order of the Court entered on March 24, 1965. The Court further erred in giving said statement of the case for it submitted to the jury's consideration plaintiff's theory of damages based on the reasonable value of the entire work done by plaintiff, which theory of recovery is contrary to law.

- "7. The Court erred in giving the plaintiff's instruction No. 5, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
- "8. The Court erred in giving the plaintiff's instruction No. 12, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
- "9. The Court erred in giving plaintiff's instruction No. 13, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
- "10. The Court erred in giving plaintiff's instruction No. 14, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
- "11. The Court erred in giving plaintiff's instruction No. 16, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
- "12. The Court erred in giving plaintiff's instruction No. 17, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
- "13. The Court erred in giving plaintiff's instruction No. 19, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.
 - "14. The Court erred in giving plaintiff's instruc-

tion No. 20, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.

"15. The Court erred in giving plaintiff's instruction No. 23, for the reason that it is contrary to law, as indicated by the defendant's objection thereto made prior to the time that the jury retired to consider its verdict.

"16. The Court erred in failing to instruct the jury of the proper construction of the contract between the parties, concerning the matters in issue, but instead, left to the jury the question of whether or not ambiguities existed in the contract.

"17. The verdicts of the jury are contrary to law.

"18. The verdicts of the jury are not sustained by a preponderance of the evidence.

"19. The verdicts of the jury are against the weight of the evidence.

"20. Under the pleadings and all of the evidence in the case, the verdicts should be in favor of the defendant."

Assignment of Error No. 15

The verdict of the jury (Ct. p. 244) granting judgment against the appellant and in favor of the appellee in the amount of \$34,508.51 is erroneous for the reason that the same is manifestly against the weight of the evidence submitted at the time of trial.

Assignment of Error No. 16

The verdict of the jury denying the appellant's coun-

terclaim against the appellee (Ct. p. 242) was against the weight of the evidence and was manifestly incorrect.

SUMMARY OF ARGUMENTS ON ASSIGNMENTS OF ERROR

The appellant's arguments on assignments of error can be divided into three categories. These are: 1. Errors of the court in allowing the appellee to introduce evidence which was prejudicial to the appellant and which should have, as a matter of law, been excluded; 2. Instructions of the court to the jury propounded by the appellee which either were not supported in any degree by the evidence or did not state the applicable law; and 3. The failure of the court to grant any of the appellant's motions for directed verdict on the grounds that the appellee had not introduced any competent or credible evidence to support its right to recovery against the appellant. In addition, the appellant appeals from the verdict of the jury denying its right to recovery from the appellee on its counterclaim.

The trial court allowed the appellee to introduce into evidence a certain diagram (plaintiff's Ex. 2) which, according to the appellee's theory, was the plan for the work it was to perform. On the basis of the diagram, which contained an error, the appellee then argued that it was required to do work which was not provided for in the contract. That the court erred in admitting this diagram is without question. The written contract between the parties specifically incorporated by reference

surveys and cross sections of the work to be performed by the appellee. The written contract did not make reference, even collaterally, to the diagram (plaintiff's Ex. 2). The diagram did contradict and modify the written contract. It should have been excluded on the basis of the parol evidence rule. The admission into evidence of this diagram constituted prejudicial error to the appellant for the reason that the appellee's case was substantially based upon it.

The trial court also erred in admitting into evidence any testimony of the appellee relating to matters of debris encountered in its dredging operations. The court had ruled in construing the contract, prior to the time of trial, that the contract specifically provided for the occurrence of debris in the appellee's dredging operations, and that the written contract contained no warranties with respect to the amount of debris that the appellee might encounter. The appellee's counsel, then, in order to circumvent the order of the court, represented to the trial judge that the appellee desired to introduce evidence of debris simply for the purpose of showing a breach of a duty on the part of the appellant (i.e. that the appellant had failed to reveal to the appellee all it knew about subsurface conditions). However, no such showing was made. In fact, the appellee's counsel did not even attempt to elicit evidence which would support a conclusion that the appellant had failed to reveal to the appellee all it knew about subsurface conditions. Appellee did, however, introduce extensive evidence dealing with the debris it encountered and the effect such

debris had upon its operations and costs. Clearly, the appellee was not entitled to be paid more than once for what it contracted to do. The written contract provided for the occurrence of debris in the appellee's operations and all evidence relating to debris should have been excluded.

Many of the instructions of the court to the jury were erroneous and prejudicial to the appellant as a matter of law. The court's instruction No. 28 dealing with the matter of mistake, the court's instruction No. 7 dealing with duty of appellant to reveal information to appellee and the court's instruction No. 27 dealing with appellee's right to enforce the contract because of an implied or expressed promise to pay additional compensation are instructions not supported by even a scintilla of evidence in the record. Under Washington law, the giving of an instruction which is not supported by substantial evidence is prejudicial error as a matter of law.

In addition, the court's instructions on construction of contracts (Nos. 24 and 25) and duty to reveal information (Nos. 7 and 20) do not state the law. The court's instruction No. 22 in effect instructed the jury that it might find that the appellee was not, under the terms of the written contract, expected to encounter any debris at all; this is in opposition to the clear provision in the contract providing for the encountering of debris. The court's statement of the case was erroneous for it put to the jury's consideration matters which should have been excluded, and legal theories of the appellee which were

not supported by the evidence.

At three occasions during the course of the trial the appellant moved for a directed verdict on the grounds that the appellee had failed to introduce any competent evidence to support its right to recovery from the appellant. These motions were denied. An examination of the record demonstrates that these motions should have been granted. The appellee introduced no competent evidence to support its right to a recovery from the appellant.

Lastly, the appellant introduced at the time of trial uncontroverted evidence of the damages it sustained because of the appellee's failure to complete the work within the time provided. The jury's failure to award the appellant damages against the appellee because of this breach of contract was clearly error.

ARGUMENT ON ASSIGNMENTS OF ERROR NOS. 1 AND 2

The Court's Statement of the Case Was Inaccurate and Submitted to the Consideration of the Jury Matters Which Should Have Been Excluded as a Matter of Law.

The statement of the case presented to the jury by the trial judge contained a synopsis of the plaintiff's claim for relief as follows:

"Plaintiff claims that it is entitled to the reasonable value of the work which it alleges is the sum of \$274,885.11" (Court's Instructions, p. 1, l. 24 through p. 2, l. 1).

The statement of the case presented to the jury by the trial judge was prepared by the appellee and accepted by the trial judge. It was error on the part of the trial judge to give the above statement. It is clear from an examination of the issues, both in the pretrial order and those actually presented through the trial, that the appellee's claim for relief was grounded upon alleged extra work it was caused to do, because, according to the appellee's theory, certain plans were not accurate, the work was more difficult than anticipated, and lastly on the ground that the appellee did extra work specifically at the request of the appellant.

The law of the State of Washington is clear (assuming the appellee is correct) that where plans and specifications lead a contractor to assume that conditions are different than actually encountered in the performance of the work, the contractor is entitled to compensation for the extra work or expense made necessary by conditions being otherwise than as so represented.

Maryland Casualty Co. v. City of Seattle, 9 Wn.2d 666, 116 P.2d 280 (1941). See also: Hollerbach v. United States, 233 U.S. 165, 34 Sup. Ct. 553 (1914); U. S. v. Atlantic Dredging Co., 253 U.S. 1, 40 Sup. Ct. 423 (1919); Walla Walla Port District v. Palmberg, 280 F. 2d 237 (9th Cir. 1960).

Under the above rule of law, it is clear that the appellee was only entitled to recover the actual extra expense it incurred, if any; not what it considered to

be the reasonable value of the entire job. Consequently, it was error to submit to the jury the appellee's completely unsupported theory that it was entitled to be compensated for what it considered to be the reasonable value of the entire work.

The court's statement of the case was further erroneous and prejudicial because it put to the jury's consideration the appellee's contention that it was required to dredge material (debris) not provided for in the written contract between the parties. The contract is clear. The possibility of the appellee's encountering debris was provided for by express stipulation (defendant's Ex. A-1). The appellee could not by any theory be entitled to additional compensation for doing that which it was required to do under the contract.

The prejudice to be found in the above statement of the case by the court is apparent on its face. By submitting to the jury the appellee's theory of recovery for the reasonable value of the work, together with what the appellee considered to be the reasonable value of the work, the court put into the jury's hands a measure of recovery which the appellee did not and could not support by any factual evidence, or sustain by any theory of law. In addition, the court submitted for the jury's consideration an item of alleged damage (i.e. debris) that the appellee could not and did not support, which was covered by the contract and which the court had earlier ruled (Ct. pp. 134-136) was not and could not be an item of damage to the appellee. Such a statement is prejudicial.

ARGUMENT ON ASSIGNMENT OF ERROR NO. 3

The Court's Instruction No. 7 Is Contrary to Law and Is Not Supported By Any Evidence in the Record.

The trial court's Instruction No. 7 given to the jury instructs the jury that the appellant had an unqualified duty to divulge to the appellee all relevant information which it had with reference to the location of materials to be dredged or the nature of the materials to be dredged or any substantial objects to be encountered. This instruction does not state the law.

"Ordinarily the duty to disclose a material fact exists only where there is a fiduciary relationship, and not where the parties are dealing at arm's length." *Oaks v. Taylor*, 31 Wn.2d 898, 903, 199 P.2d 924, 927 (1948)

In Oaks v. Taylor, supra, the Washington State Supreme Court stated as follows:

"It will thus be seen that the duty to speak does sometimes arise when the parties are dealing at arm's length. That duty arises where the facts are peculiarly within the knowledge of one person and could not be readily obtained by the other; or where, by lack of business experience of one of the parties, the other takes advantage of the situation by remaining silent. However, a party cannot be permitted to say that he was taken advantage of, if he had means of acquiring the information, or if because of his business experience or his prior dealings with the other, he should have acquired further information before he acted." 31 Wn.2d at p. 904, 199 P.2d at p. 928

Instruction No. 7 of the trial court places upon the appellant in the eyes of the jury, an unqualified obli-

gation on the part of the appellant to divulge all that it knew about the instructed matters. Such an instruction under the above stated rule of law amounts to a finding of fact by the trial court:

- 1. That facts with respect to the matters included within the instruction were peculiarly within the knowledge of the appellant, and/or
 - 2. That the appellee did in fact make inquiry and/or
- 3. That the facts with regard to such matters could not have been ascertained by the appellee by a reasonable investigation.

Each of the above, even if they existed as issues in the law suit would be matters of fact to be determined by the jury. The court's instruction No. 7 which implicitly finds these facts adversely to the appellant is clearly erroneous and prejudicial to the appellant for that reason alone. It is, as indicated above, also erroneous and prejudicial to the appellant for it does not properly state the law with respect to the duty to speak.

The instruction No. 7 is further erroneous and prejudicial for the reasons that:

- 1. There is no evidence in the record that the appellee made inquiry of the appellant with respect to the matters included within the instruction;
- 2. There is no evidence in the case that the appellant had knowledge with respect to such matters which it

did not reveal to the appellee.

The last item is particularly pertinent for the reason that there is absolutely no testimony by any party, either the appellee or the appellant, or other evidence of any nature, that the appellant did not reveal or give to the appellee all information it had with respect to the debris to be encountered by the appellee in its dredging operations. The record clearly proves that the appellant did in fact reveal to the appellee all information it had with respect to the location of materials to be dredged. This is evidenced by the fact that the accurate cross-sections of the areas to be dredged were given to the appellee prior to the time that dredging commenced (as required by the written contract, defendant's Ex. A-1).

3. There is no evidence that the appellee either did not know all the pertinent information with respect to the instructed matters or could not have acquired it by reasonable inspection. In matter of fact, the appellee's own superintendent testified that the materials encountered in the nature of debris were normal to dredging operations conducted in similar areas. (Rt. p. 559, l. 17, through p. 560, l. 23; p. 548, ll. 13-17.)

The court's Instruction No. 7 is further prejudicial to the appellant for the reason that it is inconsistent and confused the jury.

In the court's Instruction No. 20, the court instructed the jury:

"... if you further find that the defendant or its

agents had information in their possession, which indicated to them or should reasonably have indicated to them that there were in the materials to be dredged a substantial amount of materials other than sand, gravel and cobbles which were not reasonably known to the plaintiff and that defendant failed to disclose this information concerning them, notwithstanding that inquiry was made by the plaintiff which reasonably called for such information or disclosure . . ." (Court's Instructions, p. 30, ll. 15-24)

Under this instruction, the court instructs that a duty arises when inquiry is made. Yet Instruction No. 7 instructs that the appellant had an unqualified duty. These instructions are confusing and inconsistent and therefore erroneous and prejudicial to the appellant.

Both Instruction No. 7 and Instruction No. 20 are prejudicial to the appellant as a matter of law for the reason that there is no evidence in the record which would support either instruction. In order for the jury to be instructed with respect to a duty or failure of the appellant to perform a duty owed to the appellee there must be substantial evidence in the record from which the jury could find that the appellant did not perform that duty. The duty which the appellee attempted to urge as breached by the appellant was the alleged failure to reveal information with respect to the location of the materials to be dredged or the amount of debris to be encountered by the appellee in its dredging operation.

1. There is no evidence in the record that the appellant failed to reveal to the appellee any information

that it had.

2. There is no evidence in the record to support a conclusion that the appellee in fact made inquiry of the appellant with respect to these matters which was not truthfully and completely answered. This is especially true with respect to the matter of debris.

Since there is no substantial evidence in the record to support these instructions, giving of them is erroneous and prejudicial as a matter of law.

Shipp v. Curtis, 318 F.2d 797 (9th Cir. 1963); Greyhound Corporation v. Blakley, 262 F.2d 401 (9th Cir. 1958); Hughey v. Winthrop Motor Co., 61 Wn.2d 227, 377 P.2d 640 (1963); Leavitt v. DeYoung, 43 Wn. 2d 701, 263 P.2d 592 (1953); Albin v. National Bank of Commerce of Seattle, 60 Wn.2d 745, 375 P.2d 487 (1962).

ARGUMENT ON ASSIGNMENTS OF ERROR NOS. 4 AND 5

The Court in Its Instructions Nos. 20 and 22 Ignored the Clear Unambiguous Language of the Contract and Prior Orders of the Court Construing the Contract. These Instructions Are Not Supported By Any Evidence in the Record.

The court erred in giving its Instructions Nos. 20 and 22. These instructed the jury that if the jury should find that the appellee was not required to dredge materials other than sand, gravel and cobbles (such as debris) in greater amounts than it had anticipated at the time the contract was formed (Instruction No. 20),

or that if the appellee was required to dredge materials in any substantial quantities other than sand, gravel and cobbles, the appellee would be entitled to recover from the appellant (Instruction No. 22).

At the time of the trial, the appellant objected to these instructions on the ground that they included matters that had been determined as a matter of law. The ruling of the court (Ct. pp. 135-136) provided in part:

"It is hereby ordered, adjudged and decreed: that the written contract, which is identified as Exhibits 1, 2, 3 and 4 of the pretrial order herein provides for the possibility of the plaintiff's encountering debris in the dredging operations therein contracted to be performed by the plaintiff, and that said contract contains no warranty with respect to the quantity of forest trash, sinker logs, swifter wires, buried or submerged piling, bark, limbs, knots, and other foreign objects to be encountered by the plaintiff."

Clearly, the above ruling of the court is correct. The plain, unambiguous language of the contract provides:

"5. Payment for dredging shall be on the following basis:

"a. . . .

"b. An hourly rental rate per operating hour based on the average number of cubic yards dredged per operating hour as computed by surveys made before and after dredging, as follows:

"An operating hour is an hour during which the dredge crew is engaged in the normal functions necessary to operation of the dredge, including time for clearing debris from the dredge cut, dredge cutter, dredge pump or dredge pipelines,..." (emphasis added)

(A summation of the appellee's evidence with respect to debris and its effect on its operations was concerned with the time required to clear debris from the dredge cut, dredge pump, dredge pipelines, all of which are covered by the contract.)

It is a fundamental axiom of the law that:

"Where one agrees to do a thing for a fixed sum, a thing possible to be performed, he will not be excused or become entitled to additional compensation because unforeseen difficulties are encountered (citing cases) . . ."

Spearin v. United States, 248 U. S. 132, 136, 39 Sup. Ct. 59 (1918). See also: Maryland Casualty Co. v. City of Seattle, supra, where the above statement of law is quoted with approval.

The contract specifically provides for a method of payment to the appellee for debris encountered. The appellee was paid on a sliding scale based upon the number of operating hours it incurred while doing the work. Time loss due to debris encountered was included within the operating hours. There was no limit to the amount of time loss due to debris that could be included.

Even assuming that the appellee did in fact encounter more debris in its operations than it anticipated (a fact which is not supported by the record), it would not, under the above rule of law, be entitled to additional compensation because of such debris.

These Instructions (Nos. 20 and 22) are especially erroneous and prejudicial for the reason that the court had previously ruled as a matter of law that the subject matter of the instructions was specifically covered by the contract between the parties (Ct., pp. 134-136). Consequently, the above instructions leave in the hands of the jury at the instance of the trial judge, an item of alleged damages for which the appellee could not as a matter of law be compensated. The instructions have the effect of making the appellee's subjective understanding prevail over its objective manifestation of assent. Such instructions are erroneous, prejudicial and constitute reversible error. Lasser v. Grunbaum Bros., Etc., 46 Wn.2d 408, 291 P.2d 832 (1955).

ARGUMENT ON ASSIGNMENTS OF ERROR NOS. 6 AND 7

It Is the Law That the Court and Not the Jury Must Determine If an Ambiguity Exists in a Written Contract. The Court's Instructions Nos. 24 and 25, However, Leaves to the Jury the Determination of Whether or Not an Ambiguity Exists in the Written Contract.

It is the law that it is the duty of the court and not the jury to determine if a contract or its terms are ambiguous.

"It is immaterial if true, that appellee's counsel conceded in the trial court that the language of paragraphs 6 and 11 is ambiguous. Whether the language is ambiguous or not is a question of law."

Golden Gate Bridge & Highway Dist. v. United States, 125 F.2d 872, 875 (9th Cir. 1942). See also: Severson v. Fleck, 251 F.2d 920 (8th Cir. 1958)

The law of the State of Washington is:

"Ordinarily the construction or legal effect of a contract must be determined by the court as a question of law. 17 C.J.S. 1279." Bellingham Etc. v. Bellingham Coal Mines, 13 Wn.2d 370, 381, 125 P.2d 668, 675 (1942)

and:

"It is the function of the court to examine the contract to determine whether it is so ambiguous or incomplete as to admit of parol evidence to ascertain the intent of the parties." Washington Etc. v. Halferty Etc., 44 Wn.2d 646, 659, 269 P. 2d 806, 814 (1954)

The only ruling of the court with respect to the terms and meaning of the contract was that contained in the above-mentioned order of Judge George H. Boldt upon appellant's motion for summary judgment (Ct. pp. 134-136), that the contract specifically provided for the occurrence of debris in the course of the appellee's dredging operations. It is a fundamental principle of law that a party to a written contract is entitled to have that contract enforced according to its terms.

To submit to a jury a clear and unambiguous contract under instructions that they are entitled to find any ambiguities in that contract that they please is to deprive a party of his right to have that contract enforced.

The court's Instructions Nos. 24 and 25 have this

effect. These instructions do not set out ambiguities that exist in the contract and request the jury's determination thereof, but on the contrary they leave to the jury the power to determine if in fact an ambiguity exists. These instructions are totally erroneous and prejudicial to the appellant. Their effect is to give the jury a judicial commission to rewrite the contract between the parties.

"We have often said that the courts will not interpret the meaning of an unambiguous contract." Schwieger v. Robbins & Co., 48 Wn.2d 22, 24, 290 P.2d 984, 986 (1955)

"Neither will the court permit parol evidence to establish an ambiguity in a written contract." Washington, Etc., v. Halferty, Etc., supra.

It is the law of the State of Washington that, under proper circumstances, construction of a written contract is submitted to the jury as a question of fact. These circumstances arise where the fact of an ambiguity has been established and:

"Where it is an enforcible contract, and the ambiguity arises as to the relative responsibilities and duties of the respective parties under the contract, which responsibilities and duties can be determined either by proof of the meaning of the terms used in the contract or by showing of the circumstances surrounding the parties with reference to the subject-matter of the contract at the time it was entered into, and there is any controversy over such facts, undoubtedly such contracts should be submitted to the jury, and its meaning determined by that tribunal by aid of such explanatory testimony." Keeter v. John Griffiths, Inc., 40 Wn.2d

128, 130, 241 P.2d 213, 214 (1952), citing from Duran v. Heney, 33 Wash. 38, 41, 73 Pac. 775, 776 (1903)

Where, as in the present case, the court does not find an ambiguity existed within the contract, the proper circumstances for the submission to the jury of an ambiguity in a contract do not exist. It is the appellant's position that the contract between it and the appellee is clear and unambiguous, particularly with respect to the matter referred to within the court's Instructions Nos. 24 and 25. Appellant entered into that contract in good faith and it is entitled to have the contract enforced according to its clear terms.

ARGUMENT ON ASSIGNMENT OF ERROR NO. 8

The Court's Instruction No. 27 Is Not Supported By Any Evidence in the Record.

The trial court erred in giving its Instruction No. 27. In this instruction the court instructed the jury that if one party to a contract had a right to avoid or rescind a contract and gives up that right in return for an implied or expressed promise to pay additional compensation, such a promise is enforceable.

To support such an instruction there would have to be evidence in the record that the appellant made either an expressed or implied promise to pay the appellee additional compensation. It would further have to be shown that this expressed or implied promise was made when the appellee was either threatening to or did in fact have a right to rescind the contract. There is

no such evidence in the record.

The appellee never threatened to, attempted to, or claimed a right to avoid or rescind the contract. In matter of fact, the only request of the appellee to the appellant for additional compensation during the time the contract was being performed is found in its letter of November 3, 1960 (plaintiff's Ex. 25) (written some four months prior to the completion of the job) as follows:

"The cost data which we submitted to you last week indicates that our cost will be considerably in excess of our income on your project; and we would appreciate after you have had an opportunity to give consideration to all factors pertaining to our dredging operations, discussing and analyzing further with you the *possible* reimbursement of some of our excess costs in connection with the project." (Plaintiff's Ex. 25.) (Emphasis added)

This letter is not a demand for additional compensation as a matter of right, or a notification to the appellant that the appellee intended to avoid or rescind the contract. It is simply what it purports to be. The appellee was requesting the appellant to pay it additional compensation, not as a matter of right but because the appellee was losing money. The record of evidence submitted at the trial of this cause does not support even by inference a promise, either expressed or implied, on the part of the appellant to pay the appellee more money than the contract provided for. Consequently, the court's instructions that the appellee would be able to enforce a promise to pay additional

compensation by appellant is not supported by substantial evidence in the record and is prejudicial to the appellant.

The gravamen of this instruction is that it invites the jury to find that such an expressed or implied promise was made or to consider that the evidence might infer a promise. An instruction not supported by substantial evidence is as a matter of law prejudicial error.

Shipp v. Curtis, supra; Greyhound Corporation v. Blakley, supra; Hughey V. Winthrop Motor Co., supra; Leavitt v. De Young, supra; Albin v. National Bank of Commerce of Seattle, supra.

ARGUMENT ON ASSIGNMENT OF ERROR NO. 9

The Court's Instruction No. 28 Is Contrary to the Pleadings, the Pretrial Order, and Is Not Supported By Any Evidence in the Record.

Appellee in its complaint did not allege or set out with particularity any averment of mistake as required by Federal Rules of Civil Procedure, Rule No. 9. Nor did the appellee raise any issue of mistake in the pretrial order (Ct., pp. 187-189). There was no evidence presented in the trial of the case which would support an instruction on mistake. Yet the trial court gave its Instruction No. 28 purportedly instructing the jury on the law of mistake. This instruction was erroneous and prejudicial as a matter of law.

Under the laws of the State of Washington, the right to avoid or rescind a contract for mistake arises when there is a clear and bona fide mutual mistake regarding the material fact. Ross v. Harding, 64 Wn.2d 231, 391 P.2d 526 (1964); Stahl v. Schwartz, 67 Wash. 25, 120 Pac. 856 (1912); Lindeberg v. Murray, 117 Wash. 483, 201 Pac. 759 (1921); Sutton v. Peterson, 193 Wash. 175, 74 P.2d 884 (1938).

There is no substantial evidence in the record to support an instruction on the law of mistake. The giving of an instruction which is not supported by substantial evidence is prejudicial error under Washington law. Shipp v. Curtis, supra; Greyhound Corporation v. Blakley, supra; Leavitt v. DeYoung, supra; Albin v. National Bank of Commerce of Seattle, supra.

The prejudicial nature of such an instruction is easily recognized. A finding of a bona fide mutual mistake would clearly be beneficial only to the appellee. The court by lending its sponsorship to this instruction infers that such an issue might exist. The inevitable consequence is that the jury is detracted from the genuine issues in the case and led by the court to find in a fashion beneficial to the appellee.

ARGUMENT ON ASSIGNMENT OF ERROR NO. 10

The Court Erred in Admitting Any Evidence Regarding Debris Encountered By the Appellee in Its Dredging Operations

Prior to the giving of opening statements to the jury in the above matter, the appellant raised the question to the trial court of the appellee's apparent purpose to ignore the order of Judge George H. Boldt granting the appellant's summary judgment in part and ruling that the contract provided for the occurrence of debris during the appellant's dredging operations (Rt., p. 30 et seq.). The appellee argued at that time that its only purpose in submitting evidence on the matter of debris was that it intended to show a breach of duty on the part of the appellant to reveal to the appellee all that it knew about subsurface conditions (and presumably debris) and that it requested a ruling that it be permitted to introduce evidence relating to debris on the basis of the 9th Court of Appeals holding in the case of Walla Walla Port District v. Palmberg, supra. Specifically, the appellee represented to the court:

"... we still have a right to show an implied warranty and duty on behalf of the defendant to divulge to us what knowledge it may have had on that issue . . ." (Statement of appellee's counsel to the court, Rt., p. 32, ll. 24-25.)

The trial court in this case ruled that the appellee could introduce evidence relating to the matter of debris simply to show a breach of a duty on the part of the appellant (Rt., p. 40, l. 21 through p. 42, l. 22).

The ruling was objected to by the appellant (Rt., p. 40, ll. 4-9). This objection was put in the form of a continuing objection to the introduction of any evidence relating to debris encountered by the appellee in its dredging operations, or any mention of debris. The appellant then at various times during the trial reiterated its objection and notified the court that its objection still continued (Rt., p. 380, ll. 9-15; p. 384, ll. 13-18).

The trial court then admitted extensive evidence introduced by the appellee relating to the debris it encountered such as sticks, limbs, knots, sinker logs, buried piling, etc. and the effect of this debris on its dredging operations. (Rt., p. 368, ll. 24-25; Rt. p. 369, ll. 19-22; Rt., p. 379, l. 14 through p. 382, l. 6; Rt., p. 383, l. 19 through p. 386, l. 20; Rt., p. 531, ll. 15-18; Rt., p. 533, l. 16 through p. 541, l. 24; Rt., p. 542, ll. 13-23; Rt., p. 548, l. 13 through p. 559, l. 6; Rt., p. 564, ll. 19-20; Rt., p. 631, l. 13 through p. 635, l. 25).

The appellant's objection to the introduction of this evidence is that the appellee is not entitled to additional compensation for matters that were included in the contract. The court had previously ruled that debris was provided for in the contract (Ct. pp. 134-136). There is little doubt but that debris encountered by the appellee in its operations caused it hardship and increased costs. The jury could not have failed to be influenced by this evidence. But the fact that the appellee provided for the occurrence of debris in its contract is conclusive evidence that the appellee included such hardship and increased costs in its contract price. As a matter of law, the appellee is not entitled to additional compensation because of that debris. The introduction of such evidence was prejudicial to the appellant for it put into the jury's consideration an alleged item of damage that should have been excluded.

The admission of such evidence was further erroneous and prejudicial because it was, according to the appellee's request, admitted only for the purpose of showing a breach of duty on the part of the appellant as a failure to tell all it knew. Yet the appellee introduced only evidence to show the debris it encountered. THE APPELLEE SUBMITTED NO EVIDENCE THAT THE APPELLANT HAD FAILED TO DIVULGE ALL IT KNEW ABOUT SUBSURFACE CONDITIONS. THE APPELLEE MADE NO EFFORT TO PRODUCE EVIDENCE TENDING TO PROVE THAT THE APPELLANT FAILED TO DIVULGE ALL IT KNEW ABOUT SUBSURFACE CONDITIONS.

In the Walla Walla Port District v. Palmberg case, supra, the basis on which the appellee requested a ruling that it be allowed to introduce evidence relating to debris, the 9th Court of Appeals held, at p. 245:

"Our review of the record satisfied us that there was sufficient evidence upon which the jury could reasonably find:

"(4) That such engineer failed to disclose to appellant his knowledge and information relating to the presence of rocks and boulders although specifically requested by appellee (Palmberg) to divulge to him any further knowledge or information as to subsoil conditions which might be helpful to appellee in preparing his bid; . . ."

In the present case, as distinguished from the Walla Walla Port District v. Palmberg case, supra, the appellee submitted no evidence nor does the record reflect any evidence from any source that:

1. The appellant had information in its possession re-

lating to debris or subsoil conditions that it did not reveal to the appellee.

2. There is no evidence in the record that the appellee requested the appellant to reveal such information as it had relating to debris or subsoil conditions. Even if the barest unsupported assumption is made that such a request was made, there is no evidence in the record, either direct or circumstantial, that the appellant did not reveal all the information that it had.

The error in admitting such evidence is patent. The fact that the appellee encountered debris in its dredging operations, and the fact that such debris adversely affected the appellee's dredging operations does not in any fashion or form support even by inference a conclusion or a finding of fact that the appellant had information with respect to the debris encountered or that it withheld such information from the appellee.

The appellee made no attempt to introduce evidence, either circumstantial or direct, that the appellant had failed to reveal to the appellee all it knew about the subsurface conditions in the Shelton harbor. Appellee's statement to the court that it sought to introduce debris evidence for the purpose of showing a breach of duty was an intentional misrepresentation to the court for the sole purpose of bringing in through the back door that which it was, as a matter of law, prohibited from introducing directly. Clearly, the appellee's witnesses' extensive testimony on the amount of debris encountered and the effect of debris on the appellee's operation was

prejudicial to the appellant. The introduction of such evidence occupied a substantial portion of the testimony introduced by the appellee. Such evidence should not have been admitted and its admission was prejudicial and erroneous.

ARGUMENT ON ASSIGNMENT OF ERROR NO. 11

Plaintiff's Ex. No. 2 Contradicts the Written Contract Between the Parties. Its Admission Into Evidence Was in Violation of the Parol Evidence Rule, Which Is a Substantive Rule of Law in the State of Washington.

The court during the trial of the cause erroneously admitted into evidence plaintiff's Exhibit No. 2. This exhibit was a diagram prepared by the appellant and given to the appellee over a month before appellee's proposal was submitted to the appellant (Rt., p. 135, l. 25-p. 136, l. 2). This diagram contained an error. It was the appellee's position that it relied upon this diagram in submitting its bid to the appellant and that, because of the error contained in the diagram, it was injured.

The particular error contained in this diagram was the notation "350,000 Yds", contained within an enscribed area (referred to at the trial as the primary dredge area). (See diagram, Appendix I). The enscribed area contained 222,370 cubic yards when dredged to the indicated depth (Rt., p. 520, ll. 10-18) (Plaintiff's Ex. 8). It was the appellee's position at the trial of the cause that because of this error, the appellee was required to dredge in the area to the east of what was termed the primary dredge area. (See diagram, App. I)

The diagram was offered in evidence by the appellee for the reason:

"The offer is made as being the plan, Exhibit 1, being the document by which the defendant designated the areas to be dredged; and also the document outlining the defendant's proposed dredging, as designated by you, and we take the position that this is the plan which designated the dredging to be done." "Statement of appellee's counsel to the court, Rt., p. 93, ll. 8-15) (Plaintiff's Exhibit 1 (not admitted) is essentially identical to Plaintiff's Exhibit 2 (admitted) (Rt. p. 83, ll. 4-10).)

On this ground the appellant's objections on the basis of the parol evidence rule to the admissibility of the diagram were overruled (Rt., p. 93, ll. 16-19).

It is the appellant's position that the court erred in overruling its objections to the admissibility of the diagram on the basis of the parol evidence rule for the following reasons:

- 1. The contract between the parties (which was prepared by the appellee's president) makes no mention of the diagram (Rt., p. 91, ll. 12-14). Consequently, the diagram cannot be considered part of the contract between the parties.
- 2. The contract between the parties does make reference to cross sections and surveys of the areas to be dredged and filled, which cross sections and surveys were furnished to the appellee (Rt., p. 443, l. 21 through p. 444, l. 10) by appellant approximately one month before the dredging commenced. These cross sections and surveys which are referred to in the contract, are complete,

but are contradicted by the diagram (plaintiff's Ex. 2) that the appellee sought to have admitted. These cross sections specifically indicate as an area to be dredged the area to the east of the primary dredge area. This area was in fact dredged by the appellee exactly as indicated on the cross sections.

The contract provides (defendant's Ex. A-1):

"8. Measurement of quantities dredged shall be at your expense by measurement of the areas filled. Plats or cross sections of surveys shall be given to us for checking before dredging commences and within 30 days after completion of dredging operations." (Emphasis added)

(It is interesting to note that the appellee in relying upon the above diagram for recovery from the appellant claims that the appellant when giving the diagram to the appellee impliedly warranted the accuracy of its contents, and that its bid was based on that information, yet, in the contract that the appellee prepared, it made absolutely no reference to the diagram and specifically provided in the contract that:

"Plats or cross sections of surveys shall be given to us for checking before dredging commences . . ."

It is more than a little inconsistent that the appellee's president should testify at the time of trial that he relied upon a diagram prepared by appellant in bidding the contract, when in fact his own written contract specifically provided that he wanted to check the appellant's cross sections and surveys.)

3. The written contract between the parties, together

with the cross sections therein referred to, contains no ambiguity with respect to any matters included on the diagram. Ambiguity arises only when the diagram is admitted.

It is the law of the State of Washington, as stated in the case of *Levinson v. Linderman*, 51 Wn.2d 855, 859, 322 P.2d 863, 866 (1958):

"The applicable rule of law is stated in 17 C.J.S. 714, Section 298, as follows:

"'As a general rule, sometimes by reasons of express statutory provision, where several instruments are made as part of one transaction, they will be read together, and each will be construed with reference to the other. This is true, although the instruments do not in terms refer to each other."

See also: Paine-Gallucci, Inc., v. Anderson, 41 Wn.2d 46, 246 P.2d 1095 (1952); Standring v. Mooney, 14 Wn. 2d. 220, 127 P.2d 401 (1942); State ex rel. Noble v. Bowlby, 74 Wash. 54, 132 Pac. 723 (1913).

It is the law that where reference is made in a contract to plans and specifications, they are incorporated into the contract according to the terms of the contract. Hill & Combs v. First National Bank of San Angelo, Tex., 139 F.2d 740 (5th Cir. 1944); Valley Const. Co. v. City of Calistoga, 165 P.2d 521, 72 Cal. App.2d. 839 (1946); Drock v. Great Atlantic & Pacific Tea Co., 22 N.E.2d 547, 61 Ohio App. 291 (1939).

The appellee's president was an experienced contractor. If the diagram (plaintiff's Ex. 2) that he now asserts as

a plan and specification were such, he would have incorporated it in his contract and would not have provided that the cross sections would be furnished to the appellee ". . . for checking before the dredging commences."

It was the appellee's theory that the written contract (defendant's Ex. A-1) is ambiguous and that the work it contracted to perform under the contract can only be identified by the introduction of plaintiff's Ex. 2. If this theory is believed, it is necessary to ignore the plain written language of the contract. It is not necessary to resort to the diagram (plaintiff's Ex. 2) to identify the work to be performed because the contract itself identified that work. The contract provides:

"1. We, Palmberg Construction Co., shall furnish a 12-inch hydraulic dredge, fully operated, with all necessary auxiliary equipment, including approximately 1,500 lineal feet of pipeline, for the work to be performed."

This paragraph of the contract prepared by the appellee identified the work to be performed by the appellee. It limits its obligations to dredge designated areas to those requiring no more than 1,500 lineal feet of pipeline. Subsequent to this contract being executed by all parties and in accordance therewith, the appellant furnished the appellee with surveys and cross sections of areas to be dredged, ALL OF WHICH REQUIRED THE USE OF LESS THAN 1,500 LINEAL FEET OF PIPELINE.

The contract required the appellant to furnish those surveys and cross sections to the appellee for checking

before dredging commenced. This was done. These surveys and cross sections specifically delineated the distances materials were to be moved, and the amounts of materials available in any given area. THE APPELLEE AT NO TIME MADE ANY OBJECTION TO THOSE SURVEYS OR CROSS SECTIONS.

In the present case it is clear that the contract between the parties and the cross sections that were furnished to the appellee (a month before dredging commenced) were made as part of one transaction. Following the general rule, then, as quoted by the Washington Supreme Court, the contract and the cross sections must be read and construed together. It is error to admit into evidence the diagram urged by the appellee (plaintiff's Ex. 2) for this diagram would contradict and vary the terms of the written contract between the parties, which, but for the diagram, is not ambiguous.

The diagram (plaintiff's Ex. 2) being evidence of prior or contemporaneous negotiations between the parties is parol evidence. It is the law that parol evidence may not be admitted to vary, contradict, or modify a written contract. Seattle-First Nat. Bk. v. Pearson, 63 Wn.2d 890, 389 P.2d 665 (1964); Nat. Ind. Co. v. Smith-Gandy, 50 Wn.2d 124, 309 P.2d 742 (1957); Fleetham v. Schneekloth, 52 Wn.2d 176, 324 P.2d 429 (1958).

In the case of *Vance v. Ingram*, 16 Wn.2d 399, 410, 133 P.2d 938, 944 (1943), the court stated:

"It is a well-established rule of construction that, when parties adopt a written agreement as the ex-

pression of their intentions, that instrument becomes the contract, and all negotiations and understandings previous thereto become merged into the agreement. Unless the contract as executed is ambiguous, or unless there exists some ground for rescission or reformation, the actual unexpressed intentions of the parties may not be considered to alter the terms of the written document. The fact that a party may have believed the effect of the agreement to be different than it actually is, will not, in and of itself, justify this court in setting aside or rewriting the contract for them."

And it is also the law of Washington that:

"The parol evidence rule is not a rule of evidence, but of substantive law. Even though evidence which falls within the inhibition is admitted without objection, it is not competent and cannot be considered as having probative value."

Fleetham v. Schneekloth, supra, 52 Wn.2d at p. 179, 324 P.2d at p. 431. See also: Mead v. Anton, 33 Wn.2d 741, 207 P.2d 227 (1949).

The issue as to whether the appellee was entitled to recovery from the appellant because of the error contained within the diagram (plaintiff's Ex. 2) was submitted to the jury together with the other grounds upon which the appellee sought to recover from the appellant. The jury rendered a general verdict.

The admission of parol evidence under such a circumstance is under Washington law manifestly prejudicial error.

The Washington State Supreme Court in the case of Farley v. Letterman, 87 Wash. 641, 647, 152 Pac. 515,

517 (1915) stated:

"The admission of this evidence was error, and since it was wholly at variance with the issues between the parties, and tended to contradict and vary the terms of the written lease, the admission was manifestly prejudicial to the appellants; and, since the verdict covers all the respondent's causes of action, and appellant's counterclaims in one general award, there must be a new trial."

The diagram (plaintiff's Ex. 2) was parol evidence inasmuch as it related to preliminary negotiations between the parties. Its admission into evidence was prejudicial error.

ARGUMENT ON ASSIGNMENT OF ERRORS NOS. 12, 13, 14, AND 15

The Appellee Wholly Failed to Prove By Any Credible or Substantial Evidence That It Had Suffered Damages or Excess Costs By Reason of Any Act or Acts of the Appellant.

At the close of the appellee's case in chief, pursuant to Federal Rules of Civil Procedure, Rule 50 (Rt. p. 688) and at the close of all testimony (Rt., p. 949), the appellant moved for a directed verdict on the grounds that the appellee had failed to submit sufficient evidence to support its right to a recovery from the appellant. After the jury rendered its verdict, the appellant moved for judgment in accordance with the motion for directed verdict or in the alternative, a new trial (Ct. p. 244-C). These motions were denied. An examination of the record clearly discloses that the trial court erred in refusing to grant either of these motions and that the verdict of the

jury granting judgment for the appellee is not supported by the evidence.

The appellee wholly failed to prove that it had suffered damages, or extra costs, because of any action or inaction on the part of the appellant. In fact, the appellee wholly failed to prove that the work it actually performed for the appellant was anything different than it had contracted to do.

At the time of trial, the appellee sought to prove that it had suffered damages or extra costs arising out of a number of separate grounds. These apparently were:

- 1. Alleged damages or extra costs suffered because the appellee was required to dredge in the area east of the primary dredge area as a result of there not being 350,000 yards in the primary area. (See diagram, App. I)
- 2. Alleged damages suffered because the appellee encountered debris in its dredging operations.
- 3. Alleged damages suffered because the appellant had not credited the appellee with the full amount of the materials that the appellee had placed in the fill area.
- 4. Alleged damages suffered as a result of the appellant requesting changes or additional work during the course of the appellee's operations.
- 5. Alleged damages suffered because of the appellee being required to pump materials for distances greater than those required under the contract.

According to the appellee's theory, all of the above

alleged items of damage resulted, or were a result of actions of the appellant.

Under the law of the State of Washington, once the fact of damage is proven, the actual amount of damages does not have to be proven with exacting certitude. The law of the State of Washington does, however, require that the actual fact of damage be determined with certainty. The Washington Supreme Court in Gaasland Co. v. Hyak Lbr. Etc., 42 Wn.2d 705, 713, 257 P.2d 784, 788 (1953) quoted with approval the following statement of the law:

"'... but it is now generally held that the uncertainty which prevents a recovery is uncertainty as to the fact of the damage and not as to its amount and that where it is certain that damage has resulted, mere uncertainty as to the amount will not preclude the right of recovery ... 15 Am. Jur. 'Damages' 414, Sec. 23.'" (Emphasis added)

And also see, for cases holding that uncertainty as to the fact of damages is fatal to a plaintiff's claim: Sund v. Keating, 43 Wn.2d 36, 259 P.2d 1113 (1953); Wenzler & Ward, Etc., Co. v. Sellen, 53 Wn.2d 96, 330 P.2d 1068 (1958); Dunseath v. Hallauer, 41 Wn.2d 895, 253 P. 2d 408 (1953).

In the present case the appellee not only wholly failed to show the fact of damage with any degree of certainty, it also failed to submit evidence affording a reasonable basis for determining the amount of its alleged damages. This failure on the part of the appellee is clearly shown by examining the evidence with respect to each of the alleged items of damage above.

1. Alleged damages or extra costs suffered by appellee because there were not 350,000 cubic yards of material contained within the primary dredge area, and as a consequence appellee was required to dredge in the area to the east of the primary area.

The appellee's president testified that it was his opinion that the appellee suffered \$35,000.00 damages or extra costs because of the fact that 350,000 cubic yards of material were not available to be dredged in the primary area (when dredged to a 12-foot level), and as a consequence, the appellee was required to dredge in the area to the east of the primary area (Rt., p. 374, ll. 9-23). However, it is abundantly clear that pursuant to the terms of the contract, the appellee was contractually obligated to dredge in the area to the east of the primary area. The appellee's president so testified. (Rt., p. 512, l. 19 through p. 513, l. 2).

The basic instrument of the written contract between the parties (defendant's Ex. A-1) was prepared by Mr. Palmberg, the appellee's president (Rt., 412, ll. 8-16).

The contract makes no mention of the diagram purportedly relied upon by the appellee. The contract did provide that:

"... we (Palmberg) offer to perform dredging in areas designated by you, in accordance with the following stipulated provisions:" (Defendant's Ex. A-1, p. 1)

The appellee would have the court believe that the areas designated for dredging by the appellant were those indicated upon the diagram (plaintiff's Ex. 2). The contract makes no mention of the diagram or of any areas

to be dredged by the appellee. The contract does, however, expressly limit the areas that the appellant could designate and the responsibilities of the appellee by providing:

"We, Palmberg Construction Co., shall furnish a 12 inch dredge, fully operated, with all necessary equipment including approximately 1,500 lineal feet of pipeline for the work to be performed." (Defendant's Ex. A-1, p. 1, par. 1)

By this paragraph in the contract it prepared, the appellee specifically limited the work it was to perform and the areas it was to dredge to those requiring no more than 1,500 feet of pipeline.

The appellee further provided, in the contract it prepared, that:

"Plats or cross sections of surveys shall be furnished to us for checking before dredging commences, and within 30 days after completion of dredging operations." (Defendant's Ex. A-1, p. 3, par. 8)

These cross sections were in fact furnished to the appellee before dredging commenced. These cross sections did designate the areas to be dredged and they also indicated the amount of materials available in each area. EACH OF THE AREAS INDICATED AS DREDGE AREAS ON THE CROSS SECTIONS FURNISHED TO THE APPELLEE BEFORE DREDGING COMMENCED, INCLUDING THE AREA TO THE EAST OF THE PRIMARY DREDGE AREA, COULD HAVE BEEN AND WERE IN FACT DREDGED BY THE APPELLEE USING PIPELINE DISTANCES OF LESS

THAN 1,500 LINEAL FEET. The appellee's leverman's logs (plaintiff's Ex. No. 26, a, b and c) kept by the appellee's dredge operator, contains entries showing the length of pipeline used by the dredge to do its work. These logs prove conclusively that the average length of pipeline used by appellee when dredging in the area east of the primary area was 1,200 to 1,300 lineal feet (see also Rt., p. 820). This average length was 200 to 300 feet below the length of pipe which the appellee was contractually obligated to furnish. The appellee dredged in the area to the east of the primary area using pipeline distances which were well within the identification of "work to be performed", as contained in the written contract between the parties.

The appellee may not recover additional compensation for doing that which it was contractually obligated to do. Spearin v. United States, supra, and Maryland Casualty Co. v. Seattle, supra.

The fact of damage was not proven; the appellant's motions for a directed verdict should have been granted.

Assuming only for argument that the appellee's contentions are correct and that it was not contractually obligated to dredge in the area to the east of the primary dredge area, but was required to dredge in that area because of the erroneous diagram, the record is clear that it suffered no damages by so dredging.

Under the law of the State of Washington, if a contractor is required to do work not called for under a contract, because of error in plans and specifications, he is

entitled to the extra cost incurred as a result of doing that work. Maryland Casualty Co. v. City of Seattle, supra.

Consequently, the appellee, in order to show the fact of damages, would have to have proven with certainty that it did in fact incur "extra costs" because of dredging in the area to the east of the primary area.

There is no question but that the appellee had to dredge yardages equal to that removed from the area east of the primary area in order to complete the contract. The only question to determine was if the appellee's cost of removing this yardage from the area east of the primary area was greater than its costs of removing yardages from areas which the appellee admits were within the contract.

The costs of operating a dredge are generally labor costs, dredge use, repairs, maintenance and supplies.

On September 6, 1961, almost six months after dredging ceased, the appellee furnished the appellant with a breakdown of costs it incurred at the Shelton, Washington operations. This cost breakdown sheet was put in evidence at the time of trial (plaintiff's Ex. 14). An examination and analysis of these sheets proves that the appellee did not experience any "extra costs" while dredging in the area to the east of the primary area.

The appellee's September 6th letter to the appellant (plaintiff's Ex. 14) proves that the appellee incurred costs in repair parts, supplies and miscellaneous to its dredges during the period January, 1960 to December

31, 1960, of \$30,407.38. During that period of time the appellee's operating hours of its dredges (basis for payment) was 6,073 hours. (Appellee's statement to appellant of January 27, 1961, plaintiff's Ex. No. 31).

The appellee dredged in the area east of the primary area only during the period January 1, 1961 to March 28, 1961 (Rt., p. 928, ll. 15-19). Analysis of the costs sheets (September 6th letter) indicates that the appellee incurred costs in maintenance, repairs, subsistence and supplies to its dredges during that period of time in the amount of \$1,377.60 and accrued operating hours during that period of 1,236 hours.

These facts, taken from the appellee's own records, prove the following:

Cost per hour of repair parts, miscellaneous supplies, etc., during the time that appellee was dredging in areas which it admits it was required to dredge under the contract (February 17, 1960 to December 31, 1960):

\$30,407.39/6,073 operating hours=\$5.02 per operating hour.

Cost of repair parts, supplies, etc. per operating hour during time that appellee was operating in the area east of the primary area:

1.377.60/1.236 operating hours=1.11 per operating hour.

Clearly, if the appellee's cost while operating in areas it admittedly was required to dredge under the contract was \$5.02 per operating hour and its cost while operating

in an area it alleges it was not required to operate in under the contract were only ½ of its normal costs (\$1.11/\$5.02), it did not incur any "extra costs" which it would be entitled to recover under the laws of the State of Washington.

The record also clearly proves that the appellee's labor and dredge use costs while operating in the area east of the primary area were substantially lower than when the appellee was operating in the primary area. The appellee's president, Mr. H. G. Palmberg, stated on the witness stand that as the dredge production goes down (yards per hour) the cost of production goes up (Rt., p. 347, ll. 7-8). Conversely, if production goes up, costs go down. The evidence submitted at the time of trial clearly shows that the appellee's production while operating in the area east of the primary area was substantially higher than when it was operating in the primary area. Consequently, in accordance with the appellee's own testimony, its costs must have been lower. The evidence in the record is as follows:

Yardage dredged from car ferry channel (Admitted Fact No. IV—Court's Instructions to Jury, p. 10, ll. 19-25)

35,000 yds.

Yardage dredged from primary area (From cross sections, plaintiff's Ex. 6, a-j; plaintiff's Ex. 8, Rt., p. 366, ll. 14-20)

222,370 yds.

257,370 yds.

Total operating hours, car ferry channel and primary area (appellee's billing to appellant, dated August 8, 1960, plaintiff's Ex.

30, Admitted Fact No. V—Court Instructions to Jury, p. 11, ll. 1-12)

4,061 hours

Yards dredged per operating hour, car ferry channel and primary area, 257,370 yards/4,061 operating hours =

63.6 yd/hr

Yardage dredged from area east of primary area (Testimony of B. Kieburtz, Rt., p. 819, ll. 4-5)

107.000

Total operating hours in area east of primary area (total hours for project, 7,309—September 6th letter—plaintiff's Ex. 14—less hours to December 31, 1960, 6,073—appellant's January 27, 1961 letter—plaintiff's Ex. 31)

1.236 hours

Yardages dredged per operating hour, area east of primary dredge area, 107,000 yards/

87.4 yd/hr

Accordingly, the appellee's production in the area east of the primary area was 37.5% greater than its production in the primary areas. (87.4 yds/hr minus 63.5 vds/hr = 23.9 vds/hr increase divided by 63.5 vds/hr = 37.5%.) These figures prove that the amount of time required by the appellee to dredge a yard of material in the area to the east of the primary area was 37.5% lower than the time required to move a yard of material when the appellee was dredging in the primary area. Correspondingly, the appellee's labor costs and dredge use cost were 37.5% lower when it was dredging in the area east of the primary area. If its costs were in fact lower, when dredging in the area to the east of the primary area, it could not have incurred any extra costs because of dredging in the area to the east of the primary area.

The above facts produced from the evidence at the time of trial demonstrate clearly that the appellee did not show the actual fact of its alleged damages and, in fact, did not suffer any such damages.

2. Alleged damages or excess costs because of changes in the method and manner of appellee's work at the request of the appellant.

The appellee during the course of the trial purported to show that it had suffered damages because of changes in the method and manner of its work done at the request of the appellant. The evidence relating to such damage or extra cost amounted only to the testimony of the appellee's president that it did in fact sustain such damage. However, upon cross-examination Mr. Palmberg testified as follows:

- "Q. Mr. Palmberg, did you first inform the defendant that any of these changes that you are now talking about, that you have talked about in your direct examination caused any additional expense?
- "A. (Mr. Palmberg) Well, I am sure that those were part of the discussions right along as the changes were being made, but there were offsetting factors.
- "Q. There were offsetting factors that more or less compensated for whatever changes were asked, is that right?
- "A. That is right." (Rt., p. 438, ll. 1-12)

By the appellee's own testimony it had already been compensated for any alleged changes. It is not entitled to double compensation.

The fact of damage or extra costs was not proven.

3. Alleged damages suffered because appellant had not credited appellee with the full amount of materials that the appellee had placed in the fill area.

At the time of trial, the appellee attempted to prove that the appellant had failed to credit it with all the materials that it had placed in the fill area.

The testimony of the appellee's president was that the appellee was required to dredge materials from 5 areas, namely:

Amount Dredged

- 1. The primary area (Cf. cross sections, plaintiff's Ex. 6 a-j, plaintiff's Ex. 8, Rt., p. 366, ll. 6-20, p. 520, ll. 10-21)

 222,370 cu. yds.
- The car ferry area
 (Admitted Facts IV—Court's Instructions to Jury, p. 10, ll. 19-25)
 35,000 cu. yds.
- Substitute area—maximum (Testimony of H. G. Palmberg, Rt., p. 517, l. 16 through p. 518, l. 5) 80,000 cu. yds.
- Log slip area—maximum (Rt., p. 520, l. 23 through p. 521, l. 6) 15,000 cu. yds.
- 5. East of primary area (Rt., p. 819, ll. 4-5) $\frac{107,000}{459.000} \text{ cu. yds.}$ Total $\frac{459.000}{459.000} \text{ cu. yds.}$

(In fact, the amount of materials dredged must be higher than the amount of materials placed in the fill because of loss during transit, and washback from the fill area. The contract provides that the appellee was to be paid on the basis of materials in the fill at time of measurement.

Measurement by amount of materials dredged is, of course, in the appellee's favor.)

The above figures show that the appellee dredged a maximum of 459,000 yards during its operations, yet the appellant in computing the amount due the appellee computed payment on the basis of 460,907 yards. The appellee made no objection to this figure until the time of trial.

Inasmuch as the appellee was paid on the basis of more yards than it could possibly have placed in the fill area, it cannot now complain that the appellant shorted it on its yardage measure.

In addition, the appellee submitted no evidence that the appellant did in fact short it on its yardage count. It did not submit any evidence of the fact of damage in this respect, and it submitted no evidence upon which the jury could form a reasonable basis for determining the amount of shortage, if any.

The fact of damage was not proven.

4. Alleged damages resulting from the appellee encountering debris in its dredging operations.

This matter is dealt with above. The contract between the parties specifically provides for the possibility of the appellee encountering debris in its dredging operations. THE APPELLEE IS NOT ENTITLED TO RECOVER ADDITIONAL COMPENSATION FOR DOING THAT WHICH IT WAS CONTRACTUALLY OBLIGATED TO PERFORM.

5. Alleged damages suffered because of the appellee being required to pump material for greater distances than those required in the contract.

The only evidence in the record of the appellee pumping material greater distances than 1,500 feet as provided for in the written contract is concerned with the period of time that the appellee was dredging in the substitute area (Rt., p. 821, ll. 5-17). The only evidence submitted at the time of trial with respect to those distances in excess of 1,500 feet was to the effect that the reason for said distances was the lack of planning and skill on the part of the appellee (Rt., p. 810, l. 4 through p. 812, l. 16). The appellee is not entitled to recover for work in excess of that called for under the contract if that work was the result of its own lack of skill in performing the contractual obligations. 17A C.J.S. Contracts, Sec. 371 (1), p. 401, etc.

See also: Spearin v. United States, supra; Maryland Casualty Co. v. City of Seattle, supra.

The appellee wholly failed to prove by any credible or substantial evidence that it in fact suffered damages or extra costs in performing the work it contracted to do, which were the result of or due to any action or inaction on the part of the appellant. Since the appellee had wholly failed to prove its case, it was error on the part of the trial court to submit the cause to the jury. It was further error on the part of the trial court to deny the appellant's motions for a directed verdict. The law of Washington with respect to verdicts is clear. In the case of *Arnold v. Sanstol*, 43 Wn.2d 94, 98, 260 P.2d 327,

329 (1953), the court stated:

"A verdict will not be set aside unless the court can say, as a matter of law, that there is neither evidence nor reasonable inference from the evidence to support the verdict."

and at 43 Wn.2d 94, 99, 260 P.2d 327, 330:

"A verdict cannot be founded on mere theory or speculation. If there is nothing more tangible to proceed upon than two or more conjectural theories, under one or more of which a defendant would be liable, and under one or more of which there would be no liability upon him, a jury will not be permitted to conjecture how the accident occurred."

Although the above language is taken from an accident case, the basic theory applies. Although the appellee's expert witnesses and the appellee's president testified that the appellee might have suffered damages because of acts of the appellant, the facts admitted in the case clearly show that the appellee suffered no extra costs or damages because of acts of the appellant. The jury should not have been allowed to speculate as to the appellee's right to recover from the appellant when as a matter of law the appellee was not entitled to a recovery.

Where the plaintiff's evidence not only fails to prove the amount or extent of damages, as well as the actual fact of damages, the case should be dismissed. *Hodges v. Gronvold*, 54 Wn.2d 478, 341 P.2d 847 (1959).

ARGUMENT ON ASSIGNMENT OF ERROR NO. 16

The Verdict of the Jury Denying the Appellant Recovery from the Appellee on Its Counterclaim Is Against the Weight of the Evidence and Manifestly Incorrect.

Although the two original documents comprising the written contract between the parties makes no reference to a time for completion of the work which was to be performed by the appellee, plaintiff's Ex. 10, comprising a modification to the original contract made prior to the time work commenced, specifically provides that the contracted work was to be completed by the appellee by June 1, 1960. The language of the agreed modification is:

"Supplemental to the terms and conditions included in purchase order #52471-PE for fill by hydraulic dredging the following terms are added to cover the operation of a second 12" dredge in order to permit completing the fill operation by June 1, 1960." (emphasis added)

In addition, the unrefuted testimony of one of the appellant's witnesses, Oliver Ashford, was that the appellee had promised completion by June 1, 1960 (Rt., p. 759, ll. 12-18).

Upon receipt of the above modification, the appellee did in fact furnish a second dredge to the operation causing the appellant to incur additional mobilization costs of \$4,500.00 and additional fuel costs. The dredging was not completed by June 1, 1960, and in fact was not completed until March 21, 1961, nine months after the promised date of completion. There is no controversy in

the record as to these facts.

The appellant submitted evidence at the time of trial that because of the appellee's failure to complete its dredging and filling operations by the time stipulated, it suffered damages. These damages consisted of maintenance of equipment on the dredge site, maintenance of a crew, supervision and engineering costs, power costs (Rt., p. 765, ll. 14-25), and loss of use of the fill site (Rt., p. 766, ll. 1-4). These damages, according to the unrefuted testimony of the appellant, amounted to \$2,000.00 per month. The appellant's cost sheets for expenses incurred subsequent to June 1, 1960, were admitted into evidence (defendant's Ex. A-16).

Each of the above-mentioned items of damages resulted as a consequence of the appellee's failure to complete the filling operations within the stipulated time.

The measure of recovery under Washington law for breach of a contract and, specifically, delay in completion, is consequential damages.

Lidral v. Sixth & Battery Corp., 47 Wn.2d 831, 290 P.2d 459 (1955).

Clearly, the appellant's additional costs of maintaining machinery, crews, supervisory personnel and loss of use of its land, and investment were within the contemplation of the parties.

The evidence of such damages and the amount thereof is clear and unrefuted in the record. The jury's verdict denying recovery is erroneous.

CONCLUSION

The appellant does not attempt to question appellee's right to sue in a court of law if it feels itself aggrieved. It is, however, the appellant's position that if it is to be subjected to litigation at the hands of the appellee, it is entitled to the protection of the law, enforcement of its contract rights and a trial only of those genuine issues that exist between it and the appellee.

These guarantees and protections are precisely what the appellant did not receive during the trial of the above cause. The trial court's complete disregard of the written contract between the parties, its admission of prejudicial evidence, which was not relevant to the issues properly before the jury, and which as a matter of law should have been excluded, had the effect of compelling the appellant to try a matter which had little relationship to the legitimate controversy (if any) between the parties.

In addition, the court's instructions to the jury were in significant part most favorable to the appellee, and not supported by even a scintilla of evidence. Many of the court's instructions were blatantly prejudiced in favor of the appellee and were contrary to law.

The net effect is that the appellant was deprived of its right to a fair trial and to the protection of the law.

The appellant respectfully submits that the judgments rendered in the trial court should be reversed and the appellee's complaint dismissed.

Respectfully submitted,

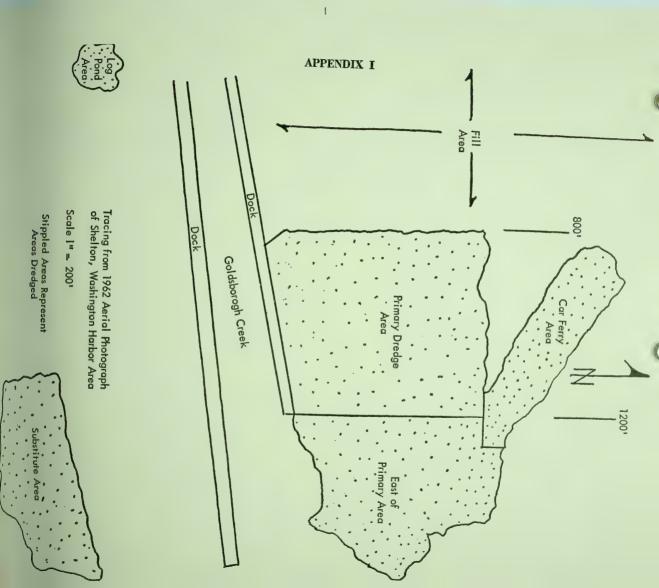
Ryan, Askren, Carlson, Bush & Swanson Attorneys for Appellant

CERTIFICATE

I certify that in connection with the preparation of this orief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that in my opinion, the foregoing brief is in full compliance with those rules.

Dale E. Kremer
Of Counsel for Appellant





APPENDIX NO. 2

Numerical Designation In Reporter's Transcript of Instructions to Which Error Is Assigned	Numerical Designation of Court's Instructions to Which Objection Was Made at Time of Trial
7	5
20	12
22	14
24	16
25	17
27	19

APPENDIX NO. 3

All References Are to Reporter's Transcript of Proceedings

PLAINTIFF'S EXHIBITS

PL/	AINTIFF'S E	EXHIBITS	
			(A) Admitted
			or
1	dentified	Offered	(R) Rejected
	Page	Page	Page
Exhibit 1	82	88	R— 94
Exhibit 2	82	88	A134
Exhibit 3	105	168	A168
Exhibit 4	166	322	A322
Exhibit 5	177	180	A180
Exhibit 6-a thru 6-j	199	202	A202
Exhibit 7	205	207	A207
Exhibit 8	229	321	A—231
Exhibit 9	238	240	A-240
Exhibit 10	238 (241)	241	A—241
Exhibit 11	238 (242)	244	A-244
Exhibit 12	238 (242)	244	A—245
Exhibit 13	238 (245)	245	R-250
Exhibit 14	238 (250)	251	A262
Exhibit 15	238 (251)	251	A—252
Exhibit 16	238 (252)	252	A—252
Exhibit 17	238 (271)	271	A-274*
Exhibit 18	238 (274)	275	A-275°
Exhibit 19	238 (275)	276	A-276°
Exhibit 20	238 (277)	277	A-277
Exhibit 21	238 (278)	279	A—279
Exhibit 22	238 (280)	280	A280
Exhibit 23	238 (281)	Not Offe	
Exhibit 24	238	Not Offe	
Exhibit 25	261	267	A—267°
Exhibit 26a, b, c	320 (329)	329	A332
Exhibit 27	334	336	A-336
Exhibit 28	340	341	A-342
Exhibit 29	340 (342)	342	A-342
Exhibit 30	355	357	A—357
*For limited pur	poses.		

PLAINTIFF'S EXHIBITS—Continued

(A) Admitted

			(21) 2101100000
	Identified Page	Offered Page	or (R) Rejected Page
Exhibit 31	354 (356)	357	A357
Exhibit 32	373	0W0	
	(377-378)	379	A—379
Exhibit 33	388	388	A388
Exhibit 34	564	565	A566
Exhibit 35	564	565	A—566
Exhibit 36	647 (652)	648 (661)	A-661°
Exhibit 37	648	661	A661°
Exhibit 38	947	947	A-947

DEFENDANT'S EXHIBITS

(A) Admitted

			(A) Admitted
			or
	Identified	Offered	(R) Rejected
	Page	Page	Page
	1 460	Ü	1 ugo
Exhibit A-1	90	99	A 99
Exhibit A-2	303 (305)	305	A-305
Exhibit A-3	398 ` ´	399	A399
Exhibit A-4	429	430	A-430
Exhibit A-5	456	486	A-487°
Exhibit A-6	459	460	A-460
Exhibit A-7	464	465	A-465
Exhibit A-8	489	490	A-491
Exhibit A-9	493	Not Off	
Exhibit A-10	496	Not Off	ered
Exhibit A-11	514	Not Off	ered
Exhibit A-12	567	568	A-568
Exhibit A-13	568	570	A—570
Exhibit A-14	570	571	A-571
Exhibit A-15	724	Not Off	ered
Exhibit A-16	824	832	A832
Exhibit A-17	865	Not Off	ered
Exhibit A-18	928	930	A931
°For limited	purposes.		

IN THE

United States Court of Appeals For the Ninth Circuit

PALMBERG CONSTRUCTION Co., an Oregon Corporation, Appellee-Appellant,

V.

SIMPSON TIMBER COMPANY, a Washington Corporation, Appellant-Appellee,

UPON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON SOUTHERN DIVISION

HONORABLE JOHN C. BOWEN, Judge

REPLY BRIEF OF PALMBERG CONSTRUCTION Co., as Appellant

Blair, Thomas, O'Hern & Daheim Attorneys for Palmberg Construction Co.

Office and Post Office Address: 502 Rust Building Tacoma, Washington 98402



IN THE

United States Court of Appeals For the Ninth Circuit

PALMBERG CONSTRUCTION Co., an Oregon Corporation, Appellee-Appellant,

v.

SIMPSON TIMBER COMPANY, a Washington Corporation, Appellant-Appellee,

Upon Appeal from the United States District Court for the Western District of Washington Southern Division

HONORABLE JOHN C. BOWEN, Judge

REPLY BRIEF OF PALMBERG CONSTRUCTION Co., as Appellant

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Walla Walla Port District v. Palmberg, (CA 9, 1960) 280 F. 2d 2374, 7, 9
Wright v. Tacoma, 87 Wash. 334, 353, 151 Pac. 8376



IN THE

United States Court of Appeals For the Ninth Circuit

No. 20219

PALMBERG CONSTRUCTION Co., an Oregon Corporation, Appellee-Appellant,

V.

SIMPSON TIMBER COMPANY, a Washington Corporation, Appellant-Appellee,

Upon Appeal from the United States District Court for the Western District of Washington Southern Division

HONORABLE JOHN C. BOWEN, Judge

REPLY BRIEF OF PALMBERG CONSTRUCTION Co., as Appellant

PREFACE

Under the rules and stipulation, this brief of the appellant/appellee Palmberg Construction Co. must be limited to its reply to Simpson's answering brief and deal only with the issues raised on Palmberg's appeal. Unfortunately, Palmberg is not permitted to refer or answer Simpson's arguments and representations on Simpson's appeal. Further argument on Simpson's

appeal must await oral argument. However, Palmberg earnestly requests that the Court in evaluating Simpson's reply and replication brief avail itself of the many references in each of the briefs, and determine from the *trial record* what evidence was produced, upon what portion of that evidence the Court was justified in instructing the jury as it did, which of said evidence the jury was entitled to believe or disbelieve, and upon which of said evidence the jury was entitled to base its verdict.

Reply on Palmberg's Assignment of Error No. 1

The Court will remember that this assignment involves the issue of Palmberg's right to interest on that portion of its recovery which Simpson, both by its correspondence and even in its pleadings in this case, consistently and repeatedly admitted was always due Palmberg. It is significant that while Palmberg's argument in its brief relied in large part upon the fact that Simpson had admitted, even in its own pleadings, that Simpson owed at least this liquidated sum of \$16,187.00, and had refused to pay it only on the basis of its unjustified counterclaim, that Simpson in its reply brief ignores that portion of Palmberg's argument. Simpson gives this Court no explanation of its admission in its answer that this sum was due and that Simpson had continued to retain it only on the basis of its claimed offset.

Simpson's present argument is that Palmberg should have accepted this sum, even though it was obviously tendered as full settlement (Ex. 18). Simpson now states that Palmberg *might* have been able to have argued at a later time that its claim for additional compensation did not "arise out of" the contract, but was extraneous to it. Simpson now argues that Palmberg should have run the risk of waiving or jeopardising its claim for extra compensation on the basis of this rather fine distinction which Simpson now makes in its brief, but clearly neglected to make in its prior tender.

Commencing at the bottom of page 3 of its reply brief, Simpson states:

"What Palmberg has failed to recognize is the clear distinction that the court drew at p. 241 of its decision; that is, the distinction between a tender of payment represented to be payment in full for all work performed, and a tender of payment represented to be payment only for work done under a contract. It is the latter type of tender that was made by Simpson."

Counsel's statement is directly contrary to the *admitted* fact. Paragraph XXXI of the admitted facts in the pretrial order stated in part:

"Defendant has tendered to plaintiff its check in the sum of \$16,187.00, which amount defendant tendered to plaintiff as payment in full of all obligations from defendant to plaintiff arising out of the work performed." (Tr. 144-145).

The trial court also instructed the jury that this was an admitted fact (R. Vol. VI, 18), to which Simpson took no exception.

In its reply brief Simpson claims that this Court drew that distinction in the case of Walla Walla Port District v. Palmberg (CA 9, 1960) 280 F. 2d 237. Actually in that case this Court specifically refused to adopt Simpson's present argument. As shown in the second portion of the footnote commencing at page 241 of the Walla Walla case, the appellant Port District in that case propounded the exact same argument which Simpson now makes. Said the Court in that footnote,

"On the issue of the allowance of interest, appellant urges that the judgment based on the jury verdict was a recovery *outside* the contract, and not within the contract provisions relating to extras, and that therefore acceptance of the final *contract* payment under the rule laid down in the *Hersey* case would not bar the recovery of damages *outside* the contract." (Emphasis is that of the Court).

In Walla Walla, the Court clearly rejected that argument.

Simpson's conditional tender of the retainage was insufficient to stop the running of interest. For that purpose a tender must be unconditional. *Grant v. Auvil*, (1951) 39 Wn. 2d 722, 728, 238 P. 2d 393.

Simpson next argues that Palmberg never billed Simpson for the retained amount which Simpson at all times admitted was due under the contractural rate, but offered to pay only if Palmberg would accept it in full payment of Simpson's contractual obligation. As shown at pages 11 and 12 of Palmberg's first brief, Palmberg by one letter (Ex. 17) specifically demanded payment of this retainage, and by another letter (Ex. 19) stated that the withholding of this amount was completely unjustified and that interest thereon would be claimed. Having twice in writing specifically requested payment of this amount, it is difficult to see how any additional billing could have buttresed Palmberg's legal right to its interest.

This portion of Palmberg's claim was an agreed amount. Obviously Palmberg was claiming that it was also entitled to compensation *in addition* to this agreed amount. However, Simpson at all times agreed that Palmberg was entitled to at least this amount. The computation attached to Simpson's letter of October 12, 1961 (Ex. 16) read as follows:

"September 1, 1961

Total Amount Owed to Palmberg Construction Company for Shelton Dredging Operations

460,947 Cubic Yards at \$.40 C.Y\$1	84,379
Mobilization & Demobilization	
of Two Dredges	9,000
Stand-by Time	3,870
Redredging Around Pond Saw	1,520

198,769

4% Washington State Sales Tax	7,951
Total Owed	206,720
Total Paid to Date	190,533
Total Remaining Balance	16,187"

The fact that Palmberg was able to produce evidence which convinced the jury that it was entitled to more than this amount, because it had dredged more materials and because it had been required to dredge some of those materials from farther distances and under more adverse conditions than originally agreed upon, certainly did not change the fact that Palmberg was at all times entitled to at least this \$16,187.00 and that Simpson had wrongfully continued to retain it. Obviously, Palmberg was required to introduce evidence to show why it was entitled to the additional compensation. However, had Palmberg elected to introduce no evidence, it would on Simpson's very pleadings have been entitled to this \$16,187.00. How can Simpson now claim that it was rightfully entitled to withhold that amount, even though both parties always agreed that that amount was admittedly due?

At page 4 of its answering brief, Simpson quotes language taken from the case of *Wright v. Tacoma*, 87 Wash. 334, 353, 151 Pac. 837. In that case the City admitted that there was due the contractor

\$71,444.84, while the contractor claimed some \$150,000.00 more. The City did pay this \$71,444.84 prior to suit, but failed to do so until several months after acceptance of the work. The contractor then sued for the balance, recovering slightly less than \$100,000.00. The Court quite properly held that interest was not allowable on this latter amount because it was unliquidated and required evidence to prove. However, the Court also held that the contractor was entitled to interest on the \$71,444.84 for the period from the acceptance of the work until its payment. In New Zealand Insurance Co. v. Earnmoor S.S. Co., (CA 9) 79 Fed. 368, the defendant, though in effect admitting a lesser sum was due than claimed, failed to pay the lesser sum. In allowing interest this Court stated:

"The appellant had, of course, the right to contest the amount claimed from it; but surely it ought to have offered to pay the amount it admitted to be due. Instead of doing so, it withheld from the appellee for nearly seven years what it admitted was justly due from it; . . ."

Other cases in which interest has been allowed on that portion of a claim admitted to be due include Paine-Gallucci Inc. v. Eivind Anderson, (1952) 41 Wn. 2d 46, 246 P. 2d 1095, and Sociedad Armadora A.P. v. 5,020 Long Tons of Raw Sugar, (DC Pa., 1954) 122 Fed. Supp. 892, and, of course, Walla Walla Port District v. Palmberg, (CA 9, 1960) 280 F. 2d 237. In some of these cases the defendant paid the

admittedly due portion of the claim, either prior to judgment or suit, but in each, interest has been awarded for the time during which the amount was wrongfully withheld. A defendant should not be rewarded for being adamant and permitted to retain the benefit of the use of a sum admittedly due by refusing to pay it until forced to do so by judgment.

Even now, Simpson does not argue that Palmberg was not at all times entitled to this \$16,187.00. Even on its own appeal, it does not argue that Palmberg was not clearly entitled to at least that amount. It does not even attempt to refute the fact that Palmberg has been deprived of the use of the money admittedly due, owing and unpaid during this period, or that Simpson has had the use of it during all of that period. Simpson's argument now is that Palmberg should have run the risk of accepting that amount in full and final payment.

Reply on Palmberg's Assignment of Error No. 2

In its reply to Palmberg's argument on this assignment, which dealt with the claimed error in the pretrial judge's order, Simpson does not attempt to justify either the form or content of that order, but now argues merely that Palmberg was not prejudiced by it. Simpson also now argues that Palmberg should have attempted to violate this pretrial order and should have attempted to introduce its evidence of what it had been told by Simpson as to the nature of the materials,

even though the pretrial judge had ruled such evidence inadmissible.

The prejudice to Palmberg of the pretrial order is apparent. One indication is the lengthly colloquy (R. 9-42) initially required. The Court by its Instruction No. 26 (R. Vol. VI, 34) even instructed the jury as to portions of the content of that order.

While not attempting in its reply brief to sustain the propriety of that order, Simpson does imply that the mention of the word "debris" in the definition of an operating hour is similar to the reference to debris in the case of Walla Walla Port District v. Palmberg, (CA 9, 1960) 280 F. 2d 237. The distinction between the references in the two contracts is great. The Walla Walla contract specifically defined what would be included in the definition of "debris" for the purposes of that contract. It also provided that the cost of removal of such debris should be at the expense of the contractor, and that the cost thereof should be considered as incidental to and included in the contract price. 280 F. 2d 237, 243.

Palmberg believes that the pretrial judge's order, both in form and in content, was in error.

Reply on Palmberg's Assignment of Error No. 3

Had Simpson specifically conditioned its acceptance of Palmberg's offer to put a second dredge on this job upon the requirement of a definite completion date, Simpson's reply argument to this assignment might have some validity. However, as clearly shown by the documentary evidence (Exs. 10 and 11) no such requirement was added to the written contract. Two, and only two, "additional terms" were added. Neither dealt with a completion date. The jury should not have been permitted to interpolate what may have been Simpson's motive in modifying the contract as adding another additional term to it.

CONCLUSION

Simpson's reply brief has failed to illustrate any justification for withholding payment of the \$16,187.00 which it at all times admitted was due. Simpson's brief contains no valid reason why interest should not be allowed on that amount. On Palmberg's Assignment No. 2 dealing with the impropriety of the pretrial judge's order, Simpson does not attempt to justify that order but merely claims that Palmberg was not prejudiced by it. With reference to Palmberg's Assignment No. 3, Simpson's brief fails to point out any contractural agreement or term of the contract which required completion by any definite date.

The judgment should be increased by the amount of the interest to which Palmberg is entitled, and otherwise affirmed.

Respectfully submitted,

Blair, Thomas, O'Hern & Daheim James E. O'Hern Attorneys for Appellant-Appellee Palmberg

CERTIFICATE

I certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that in my opinion, the foregoing brief is in full compliance with those rules.

> JAMES E. O'HERN Of counsel for Palmberg



IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

UNITED STATES OF AMERICA,

Appellant

v.

TACOMA GRAVEL AND SUPPLY CO., INC., ET AL.,

Appellees

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

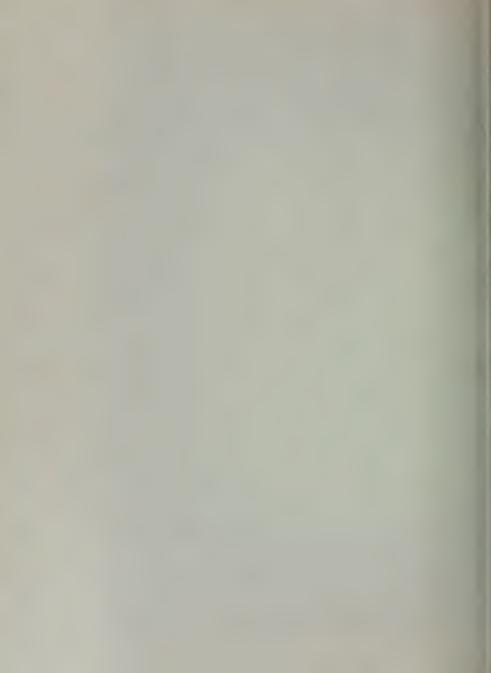
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BRIEF OF APPELLEES

FRANK H. SCHMID, CLERK

JAMES E. O'HERN and WARREN J. DAHEIM

Attorneys for Appellees 502 Rust Building Tacoma, Washington 98402



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IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No.	20218

UNITED STATES OF AMERICA,

Appellant,

V

TACOMA GRAVEL AND SUPPLY CO., INC., ET AL,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

BRIEF OF APPELLEES

COUNTERSTATEMENT OF THE CASE

1. Proceedings Below:

In 1952 the Reconstruction Finance Corporation, appellant's predecessor, brought an action in a Superior Court of the State of Washington to foreclose a chattel mortgage on all of the trucks, tractors, power shovels, rollers, mashers, generator sets, crushing plants, automotive equipment, and other machinery, equipment, fixtures, furniture and personal property of the

business of Tacoma Gravel and Supply Co., Inc. (R.4-19, 23-29, 19). The Judgment and Decree of Foreclosure entered in that action provided for sale of all of the aforementioned items and further provided for a deficiency judgment against the mortgagor and appellees, as guarantors of the note secured by the said chattel mortgage, in the event the proceeds from the sale were insufficient to satisfy in full plaintiff's judgment entered therein. (R.15-16). Thereafter, all of the said furniture, fixtures, machinery and equipment were sold in the manner provided by Washington State statutes and a deficiency resulted. (R.2). Ten years later the appellant brought this action seeking to renew the deficiency judgment. (R.1-3). On motion of appellees the District Court granted Summary Judgment in their favor. (R.48).

2. Question Involved:

The question involved on this appeal is as follows:

Ten years after obtaining a Washington State judgment, is there anything left to renew?

That question, in turn, involves another question as follows:

Is RCW 4.56.210 (setting forth the qualities of a Washington State Judgment) a statute of limitations?

SUMMARY OF ARGUMENT

The Reconstruction Finance Corporation voluntarily elected to bring its mortgage foreclosure action in a Washington State court and freely chose to pursue the particular remedies provided by Washington State law in such

a proceeding. In so doing, it received what is authorized by Washington

State law in the way of a deficiency judgment.

RCW 61.12.160 authorizes a deficiency judgment to be entered under certain circumstances in an action involving foreclosure of a chattel mortgage. RCW 4.56.210 sets forth the qualities of such a judgment. The latter statute, and all of the cases construing it, indicate quite clearly that it is not a statute of limitations. Rather, it provides that a Washington State judgment is deemed paid and discharged after six years. It differs essentially from a statute of limitations in that it does not limit a remedy but qualifies a right. According to that statute, the judgment does not simply lose its vitality and become dormant, it is nonexistent. There is simply nothing left to renew at the end of six years.

ARGUMENT

RCW 4.56.210 IS NOT A STATUTE OF LIMITATIONS.

This case is one in which the Reconstruction Finance Corporation voluntarily chose to seek a state remedy in state court. It is, therefore, essentially different from the type of case in which a state attempts to reach out and cut off, abrogate, or in any way limit a claim of the federal government. That certainly cannot be done, as is clear from the case of <u>United States v. Summerlin</u>, 310 U.S. 414, cited by appellant. In the <u>Summerlin</u> case, the United States Supreme Court said that the State of Florida could

not force the federal government to file its claim in a probate proceeding within a period of eight months on pain of totally losing that claim. There the government simply had a claim and had done nothing to enforce it. In our case, the Reconstruction Finance Corporation voluntarily elected to bring an action to foreclose a chattel mortgage on all of the furniture, fixtures, machinery and equipment of the mortgagor pursuant to State law and in State court.

The procedure in foreclosing a mortgage in the State of Washington is set forth in RCW 61.12. Of great importance to ordinary litigants is RCW 61.12.060 which provides for an upset price upon foreclosure sale in order to insure that the fair value of the chattels is applied to the mortgage indebtedness. The statute provides that: "If the fair value as found by the court, when applied to the mortgage debt, discharges it, no deficiency judgment shall be granted." However, RCW 61.12.061 specifically provides that the United States is exempted from that requirement. In other words, the Tacoma Gravel and Supply Co., Inc., and appellees as guarantors, had no statutory opportunity to insure that the fair value of the chattels sold would be obtained. This, of course, is one of the advantages the government obtained by virtue of Washington State law.

Also of great significance is RCW 61.12.160 which provides for a deficiency judgment. Once again, this is an advantage obtained by virtue of Washington State law since many states, such as Oregon and California, have gone far in prohibiting deficiency judgments in mortgage foreclosures.

Oregon Revised Statutes 88,070 and West's California Ann. Code Civ. Proc. § 580B.

The Reconstruction Finance Corporation having obtained a deficiency judgment on its own request and by virtue of Washington State law, the characteristics or qualities of that judgment are of course controlled by Washington State law. In that regard, the attributes of a Washington State judgment are set forth in RCW 4.56.210 as follows:

"After the expiration of six years from the date of the entry of any judgment heretofore or hereafter rendered in this State, it shall cease to be a lien or charge against the estate or person of the judgment debtor, and no suit, action or other proceedings shall ever be had on any judgment rendered in this State by which the lien or duration of such judgment, claim or demand, shall be extended or continued in force for any greater or longer period than six years from the date of the entry of the original judgment."

In interpreting the above statute, the decisions of the Washington

State Supreme Court are controlling. In re Levinson, 5 F.2d 75 (D.C. Wash.

1925). Referring to those decisions, the first and most obvious fact to note

is that the Washington judgment law, quoted above, is unique. Roche v.

McDonald, 136 Wash. 322, 331, 239 Pac. 1015 (1925). IT IS NOT A

STATUTE OF LIMITATIONS. Bettman v. Cowley, 19 Wash. 207, 53 Pac. 53

(1898); Palmer v. Laberee, 23 Wash. 409, 63 Pac. 216 (1900); Ball v. Bussell,

119 Wash. 206, 205 Pac. 423 (1922); Roche v. McDonald, supra; In re

Levinson, supra; Hutton v. State, 25 Wn. 2d 402, 171 P.2d 248 (1946).

Rather, it provides that after six years the judgment is an absolute nullity.

In Palmer v. Laberee, supra, the court, in holding that the Washington

Roche v. McDonald, supra.

statute was not a statute of limitations, said:

"It (the statute) does not deal with the remedy to enforce an obligation, but with the obligation itself; declaring that upon the expiration of a certain period it shall cease to exist. Observe in limitation statutes the universal language. In all the provision is that 'actions can only be commenced' or that 'actions must be commenced' within a certain period. But the commencement of actions is not referred to in this statute. It goes directly to the obligation itself, and destroys it."

The court further said:

"To say that a judgment shall not be a charge against the estate or person of the debtor destroys the obligation."

Recognizing the above statement as the clearly established law of the State of Washington, the local Federal District Court (W.D. Washington, N.D.), over forty years ago in the case of In re Levinson, supra, said:

"This statute not only withholds a remedy, but satisfies or destroys the demand as fully as by payment. This statute became a part of the judgment as fully as if set out therein."

Judge Neterer went on to say:

"This statute having been so construed by the highest court of the state . . . such holding is binding on this court."

Again, in <u>Hutton v. State</u>, supra, the court had occasion to consider the effect of the statute upon a judgment of the sovereign State of Washington. In its argument the State had cited another Washington statute (RCW 4.16.160) which provides:

"There shall be no limitation to actions brought in the name or for the benefit of the State, and no claim of right predicted upon the lapse of time shall ever be asserted against the State."

In answer, the court said that RCW 4.56.210 was not a statute of limitations

and therefore RCW 4.16.160 and its codification of governmental immunity did not apply. As one of its authorities, the court cited <u>United States v. Harpootlian</u>, 24 F.2d 646. The latter case involved a suit by the federal government. In deciding that the federal government no longer had a judgment lien under the law of the State of New York, the court said that the statute involved was not a statute of limitations and therefore the doctrine of governmental immunity did not apply.

Since, as appellant has pointed out, the "same principle is applicable to all governments alike," if RCW 4.56.210 is not a statute of limitations as to the sovereign State of Washington, it is not a statute of limitations as to the United States.

Finally, in the case of <u>Bettman v. Cowley</u>, supra, the court was concerned with an action on a judgment obtained more than six years prior to 1897, the year the Washington legislature adopted the statute in question. Plaintiff argued that the statute was unconstitutional insofar as it applied to judgments in existence when it was passed because it impaired the obligation of contract, a judgment being viewed as a contract. He said that it did more than retard the enforcement of such a contract. It completely did away with the obligation. In sustaining the plaintiff, the court said that the statute was not a statute of limitations:

"It is the contention of the respondent, however, and, indeed, that is his main contention, that this act of the legislature is a statute of limitation in effect, and numerous cases are cited where statutes of limitation have been sustained, but we think there is a vast difference between the act in question here and the acts which were construed in the cases cited by respondent."

"The governing principle in this case is altogether different from the principle underlying statutes of limitation. Statutes of limitation are statutes of repose, intended to put at rest controverted guestions of fact, to insure to a degree certainty in testimony by compelling its production before it is affected by the infirmities of memory, thereby giving value to contracts. Such statutes are in the interests of morals, serving to prevent perjuries, frauds and mistakes; hence they subserve public interests, and fall within the special authority of the legislature, which in the exercise of its discretion can regulate them, providing always that, where a statute of limitation is shortened, a reasonable time must be allowed to commence the action or present the claim. This constitutes no deprivation of a substantial right. It does not even change the remedy. It is a mere change in the time at which the remedy is to be applied, which can go no further than a possible inconvenience, and it is upon this theory that the shortening of the statutes of limitation are sustained. The creditor's rights are in no wise impaired. He is deprived of no remedy. His substantial right, viz. to collect his debt, remains. It is true he must reduce his claim to a judgment sooner than he was required to do, but when it is so reduced he can perpetuate his judgment, and the time for collecting the fruits of the judgment is not shortened. In this case, when the original judgment was obtained, the creditor had a right to perpetuate his judgment either by a suit on the same, or by keeping it alive under the provisions which the law under consideration repeals, and the shortening of the time in which he could bring his action, as we have seen, in no wise rendered his judgment less valuable; for, notwithstanding the shortening of the statute of limitations, there was no shortening of the life of the liability. If the creditor or claimant does not obey the law when a reasonable time is given him in which to act, his loss is attributable to his own laches and not to matters which are beyond his power to control."

Finally, the court said:

"But altogether another principle is involved in the shortening of the life or of the actual demolition of the liability. If the debtor happens to be execution proof just at this time the creditor is helpless. No amount of diligence or industry will avail him. His judgment, which, before the passage of the law, had at least a prospective value, is now rendered absolutely value—

To support its position, appellant simply asserts repeatedly that the Washington statute is a statute of limitations. However, repeated assertions do not constitute law. Also, appellant has cited cases from other jurisdictions dealing with unrelated statutes. These cases are:

Custer v. McCutcheon, 283 U.S. 514, Smith v. United States, 143 F.2d

228 (C.A. 9) certiorari denied, 323 U.S. 729, and United States v. Jenkins, 141 F. Supp. 499, (S.D. Ga.), affirmed, 238 F.2d 84 (C.A. 5) appeal dismissed 352 U.S. 1029.

In the case of <u>Custer v. McCutcheon</u>, supra, an Idaho statute was involved. That statute was clearly one of limitations. The case therefore, is completely inapplicable.

In <u>Smith v. United States</u>, supra, the government had obtained a judgment in a foreign state and then attempted to sue on that judgment in the State of Washington. Once again, a Washington State judgment was not involved.

Finally, in the case of <u>United States v. Jenkins</u>, supra, the United States brought an action to enforce a judgment which had previously been obtained in a federal court in California. Once again, a Washington State judgment was not involved.

CONCLUSION

The Washington State statute involved is not a statute of limitations,

as is abundantly clear from the authorities cited above. For that reason,
the judgment of the District Court should be affirmed.
James E. O'Hern
Warren J. Daheim
CERTIFICATE OF COMPLIANCE
I certify that, in connection with the preparation of this brief,
I have examined Rule 18 and 19 of the United States Court of Appeals
for the Ninth Circuit, and that, in my opinion, the foregoing brief is
in full compliance with those rules.

Warren J. Daheim

IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

UNITED STATES OF AMERICA,

Appellant

v.

TACOMA GRAVEL AND SUPPLY CO., INC., ET AL.,

Appellees

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

BRIEF AND APPENDIX FOR APPELLANT

JOHN W. DOUGLAS, Assistant Attorney General,

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IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 20218

UNITED STATES OF AMERICA,

Appellant

V.

TACOMA GRAVEL AND SUPPLY CO., INC., ET AL,

Appellee s

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

BRIEF AND APPENDIX FOR APPELLANT

JURISDICTIONAL STATEMENT

This suit was brought by the United States to recover the impaid balance of a judgment entered against these defendants in favor of the Reconstruction Finance Corporation, a corporation wholly owned by the United States. The jurisdiction of the istrict court rested on 28 U.S.C. 1345, which invests district courts with "original jurisdiction of all civil actions, suits proceedings commenced by the United States * * *." On February 10, 1965, on motion of the United States, the district court tentered an order (R. 44) dismissing Tacoma Gravel and Supply 1/ "R." denotes the reproduced record on appeal.

Co. because that defendant was not within the court's jurisdiction. On February 16, 1965, on cross-motions, the court entered an order granting summary judgment in favor of the remaining defendants. On April 13, 1965, the United States noted this appeal from the district court's judgment. The jurisdiction of this Court rests on 28 U.S.C. 1291.

STATEMENT OF THE CASE

On January 23, 1953, in the Superior Court of the State of Washington, judgment was entered on a note executed by Tacom Gravel and Supply Co., Inc., Mr. and Mrs. S. S. Stanway, Jr., and William Stanway. This judgment in favor of the Reconstruction Finance Corporation was in the principal amount of \$30,878 and bore interest at the rate of 6% per annum (R. 4-19, 23-29). Foreclosure and sale of certain items of personal property which had been mortgaged to secure the loan reduced the principal amound use to \$26,726.13 (R. 2).

By Reorganization Plan No. 1 of 1957 (71 Stat. 647, 22 F.R 4633, effective June 30, 1957), the Reconstruction Finance Corporation was abolished and its assets and functions distribute to other agencies. To the Small Business Administration were assigned "the remaining functions with respect to or arising out of programs of financial assistance to business enterprises * * including responsibility for the note and judgment involved in this case.

On October 8, 1963, the United States filed its complaint in this action (R. 1-3), seeking recovery of \$26,726.13, plus

^{2 /} The Plan is set forth as a note to 15 U.S.C.A. 601.

interest accrued to July 26, 1963 (\$16,730.56) plus interest at 6% until the judgment be fully satisfied. Defendants' answer (R. 20) admitted entry of the judgment but denied indebtedness.

On cross-motions (R. 22, 38) the district court rendered summary judgment for the defendants, indicating in its oral statement (reproduced as the appendix to this brief, App. 1a-2a) that the basis for its decision was its belief that the United States was bound by R.C.W. 4.56.210, the Washington statute which extinguishes judgments 6 years after entry. The district pourt recognized that "if we were dealing with the original substantive right of the United States, that is, the claim under the RFC Act itself, it is clear that state law would not affect that, either by limitation or otherwise." None-heless, it thought that (App. 1a-2a)

having chosen to take a judgment in the State court, * * * all the United States can obtain in a State court is whatever the State court provides in the way of a judgment and is limited by the State law applicable to it.

SPECIFICATION OF ERRORS

- 1. The district court erred in holding that the United States is subject to Washington statute R.C.W. 4.56.210.
- 2. The district court erred in rendering summary judgment for defendants S. S. Stanway, Gladys Stanway and William Stanway.

^{3 /} The transcript of the district court's oral decision inadvertently was omitted from the reproduced record on appeal. We therefore have set forth that decision as an appendix to this brief.

STATUTE INVOLVED

Revised Code of Washington 4.56.210 provides:

Cessation of lien -- Extension prohibited.

After the expiration of six years from the date of the entry of any judgment heretofore or hereafter rendered in this state, it shall cease to be a lien or charge against the estate or person of the judgment debtor, and no suit, action or other proceeding shall ever be had on any judgment rendered in this state by which the lien or duration of such judgment, claim or demand, shall be extended or continued in force for a greater or longer period than six years from the date of the entry of the original judgment, except as in RCW 4.56.225.

ARGUMENT

Summary

RCW 4.56.210 limits the vitality of judgments rendered in Washington to six years from entry; the statute prohibits any suit on a Washington judgment "by which the lien or duration of such judgment, claim or demand, shall be extended or continued in force" more than six years from entry.

We show below that the district court erred in applying this statute to the United States: This is a statute of limitations which cannot bind the sovereign. Indeed, the policy which exempts the federal government from the operation of state statutes of limitation applies with particular force to a statute of this type, for one already adjudged indebted to the general government should not be permitted to withhold moneys due simply because satisfaction of a judgment has been delayed.

RCW 4.56.210, A STATE STATUTE OF LIMITATION, CANNOT BAR AN ACTION BROUGHT BY THE UNITED STATES

1. It is well settled -- settled, indeed, "beyond doubt r controversy

that the United States, asserting rights vested in them as a sovereign government, are not bound by any statute of limitations, unless Congress has clearly manifested its intention that they should be so bound.

nited States v. Nashville, Etc. Ry., 118 U.S. 120, 125;
nited States v. Thompson, 8 Otto (98 U.S.) 486. The narrow
uestion presented by this appeal is whether the established
le that state statutes of limitation do not bind the United
tates applies to RCW 4.56.210, which directs that no suit shall
e brought to extend the vitality of a "judgment, claim or
emand" for more than six years after entry of judgment. As
e now show, both reason and precedent dictate an affirmative
nswer.

2. The reason for the rule excepting the United States rom the operation of state statutes of limitation is a simple ne: its classic statement is that of Mr. Justice Story in nited States v. Hoar, Fed. Cas. No. 15,373 (2 Mason 311, 26 ed. Cas. 329, 330) (D. Mass. 1821):

The true reason, indeed, why the law has determined, that there can be no negligence or laches imputed to the crown, and, therefore, no delay should bar its right, * * * is to be found in the great public policy of preserving the public rights, revenues, and property from injury and loss, by the negligence of public officers. And though this is sometimes called a prerogative right, it is in fact nothing more than a reservation, or exception, introduced for the public benefit, and equally applicable to all governments.

-5-

The principle "is applicable to all governments, which must necessarily act through numerous agents, and is essential to a preservation of the interest and property of the public."

Gibson v. Chovkay, 13 Wall. (80 U.S.) 92, 99; United States v.

Knight, 14 Pet. (29 U.S.) 301. It survives "because its beneficand advantage extend to every citizen, including the defendant whose plea of laches or limitation it precludes * * *." Guarar Trust Co. v. United States, 304 U.S. 126, 132.

The Supreme Court consistently has held that if a state statute, "as sustained by the state court, undertakes to invalidate the claim of the United States, so that it cannot be enforat all, * * * the statute in that sense transgres[es] the limit of state power." United States v. Summerlin, 310 U.S. 414, 417

Under this reasonsing, the public treasury must be protected from the operation of RCW 4.56.210. In practical effect that statute operates like an ordinary statute of limitations: it "undertakes to invalidate the claim of the United States, so that it cannot be enforced at all * * *." The district court plainly was wrong in believing that its decision did not affect "the right or claim which was the basis of the judgment insofar as terminating that claim or right is concerned" (App. 2a). Re 4.56.210 does destroy that "claim or right"; it destroys the "life of the cause of action." Ball v. Russell, 119 Wash. 206, 205 P. 423 (1922).

Insofar as RCW 4.56.210 differs from ordinary statutes of limitation, the reasons for making such statutes inapplicable to the United States apply a fortiori to RCW 4.56.210, which

invalidates not only a judgment but also the "claim or demand" upon which the judgment is based. As the Supreme Court of washington has recognized, RCW goes even further than the ordinary statute of limitations (Roche v. McDonald, 136 Wash, 322, 239 c. 1015, 1016-1017 (1925), reversed on other grounds, 275 U.S. 149):

The statute * * * is not a mere statute of limitation affecting a remedy only. It is more than that. It not only makes a judgment cease to be a "charge against the person or estate of the judgment debtor" after six years from the rendering of the judgment, but also in terms expressly takes away all right of renewal of or action upon the judgment looking to the continuation of its duration or that of the demand on which it rests, for a longer period than six years from the date of its rendition. * * It simply tells us that no judgment can be rendered extending the period of duration of a judgment or of the claim or demand upon which it rests beyond the period of six years following its rendition.

The ordinary statute of limitations withholds a remedy, but this atute not only withholds a remedy, but satisfies or destroys be demand as fully as by payment." In re Levinson, 5 F. 2d 75 J.D. Wash.).

Moreover, the ordinary statute of limitations finds some stification in the fact that reliable information with regard a cause of action may become unavailable as time passes; tigants should be encouraged to bring suits while memory is sh and records are available. But this consideration has no elevance to the situation where a judgment already has been stered. The judgment debtor is under a contuning obligation to y the amount of the debt. Under RCW 4.56.210, if the debtor n escape satisfying the judgment for six years, he need never

make payment. The Washington legislature is free to permit this when the judgment creditor is an individual, but a state is not at liberty so to prejudice the United States. Such a statute may not be applied to bar a claim of the United States, causing the public treasury to suffer. State statutes cannot defeat the government's endeavor to secure satisfaction of judgments renderin its favor.

3. The Supreme Court has indicated that the United Sta is not bound by statutes such as RCW 4.56.210. In Custer v. McCutcheon, 283, U.S. 514, the Court held that the United State was precluded from securing execution on a judgment otherwise than in accordance with state law because by Rev. Stat. 916 (Fe R. Civ. P. 69(a)) and the rules of court adopted pursuant there Congress had manifested its intention that the United States be bound by state laws dealing with execution. However, the Court expressly admonished that the United States was "not precluded from bringing an action upon the judgment, but merely from havi an execution in the form provided by state law." 283 U.S. at 51 This admonition has been given effect by this Court and by ever other court which has considered the question. Thus, in Schodd v. United States, 69 F.2d 866 (C.A. 9), the United States brough suit on the original judgment on which the United States had be denied execution in Custer v. McCutcheon; this Court granted judgment for the United States, holding that it was not subject the Idaho statute requiring that action on a judgment be brough within six years of entry. This Court reached the same result i Smith v. United States, 143 F. 2d 228, certiorari denied, 323 U a suit brought by the United States to recover the balance on a criminal judgment. Similarly, in a suit brought by United States to enforce a criminal judgment, a Georgia tute limiting the time within which suits on dormant judgments but be brought was held not to affect the United States: the rt noted that "the question has been conclusively settled by Supreme Court concerning whether the United States may bring action upon a dormant judgment inconsistent with the limitans of state statute" (United States v. Jenkins, 141 F. Supp. 499, (S.D.Ga), affirmed, 238 F.2d 84(C.A.5), appeal dismissed, 352 U.S. 1029) district court said (141 F. Supp. at 503):

the United States retains its right of action in those states even where there are statutes in those States barring action on dormant judgments or limitations on a right of action. * * * State law determines when a federal judgment becomes dormant but not the right of renewal.

also <u>United States</u> v. <u>Houston</u>, 48 Fed. 207 (D. Kan), predating ter v. <u>McCutcheon</u>, where the court held that the <u>United States</u> not bound by a state statute prohibiting suit on or renewal dormant judgments:

Debts due the United States are the sources of revenue needful for the maintenance and successful operation of the government. Every essential right of procedure, remedy and preference is accorded to it upon the highest considerations of public policy.

There is no reason for this Court to depart from this. ablished rule to which it long has adhered.

And see Miller v. United States, 160 F. 2d 608, 609, where s Court noted that as a "cause of action for a second judgment," original judgment "could not become dormant to the United tes, the judgment creditor * * *."

CONCLUSION

For the foregoing reasons, the judgment of the distric court should be reversed.

JOHN W. DOUGLAS, Assistant Attorney Gener

WILLIAM N. GOODWIN, United States Attorney,

AIAN S. ROSENTHAL, FLORENCE WAGMAN ROISMAN, Attorneys, Department of Justice, Washington, D. C. 20530.

September 1965.

CERTIFICATE OF COMPLIANCE

I certify that, in connection with the preparation of this brief, I have examined Rule 18 and 19 of the United State Court of Appeals for the Ninth Circuit, and that, in my opinion the foregoing brief is in full compliance with those rules.

AIAN S. ROSENTHAL Attorney.

APPENDIX



IN THE DISTRICT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF WASHINGTON SOUTHERN DIVISION

ITED STATES OF AMERICA.

Plaintiff,

vs.

No. 3031

S. STANWAY, et ux, et al.

Defendants.

TRANSCRIPT OF COURT'S ORAL DECISION rendered in the ove-entitled and numbered cause in the above-entitled court the Honorable GEORGE H. BOLDT, United States District Judge, Tuesday, February 16, 1965, at the United States Courthouse, coma, Washington.

THE COURT: It seems to me that, having elected to sert its claim in a state court proceeding and having taken dgment in that court, the United States, like any other state urt litigant, only have that which is available by a state urt judgment. The statute cited here, 4.56.210, is one of the mitations on or definitions of what a state judgment provides.

If we were dealing with the original substantive right of e United States, that is, the claim under the RFC Act itself, is clear that state law would not affect that, either by mitation or otherwise. But having chosen to take a judgment

in the state court, I think it must be held that all the United States can obtain in a state court is whatever the state court provides in the way of a judgment and is limited by the state law applicable to it.

Whether the claim of the United States is merged in this state court judgment is not necessarily presented for decision. It is only necessary for me to decide whether or not under Washington law this judgment is renewable. In my opinion, it is not. I make no finding or ruling as to the effect this may have upon the right or claim which was the basis of the judgment or the effect of the judgment insofar as terminating that claim or right is concerned. It seems dear to me that a Washington state court judgment is not renewable in the circumstances now presented.

Accordingly, the motion of defendants for summary judgment is granted, and the motion of the plaintiffs for summary judgment is denied.

It is so ordered.

Recess subject to call.

(Whereupon, the court recessed subject to call.)

[CERTIFICATE OMITTED]

NO. 20216

IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

ALEX TORRES,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

FILED

SEP 22 1965

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NO. 20216

IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

ALEX TORRES,

Appellant,

VS.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

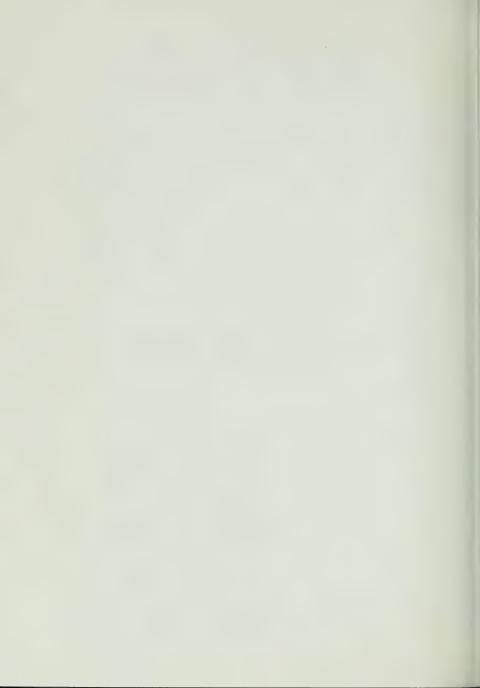
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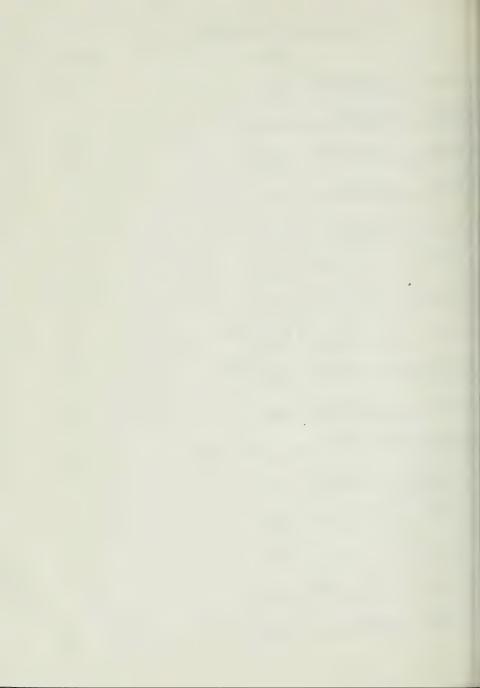
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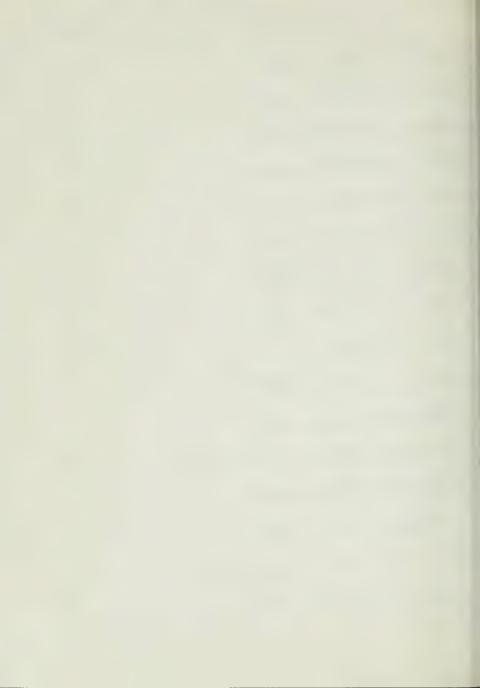


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NO. 20216

IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

ALEX TORRES,

Appellant,

VS.

UNITED STATES OF AMERICA.

Appellee.

APPELLEE'S BRIEF

Ι.

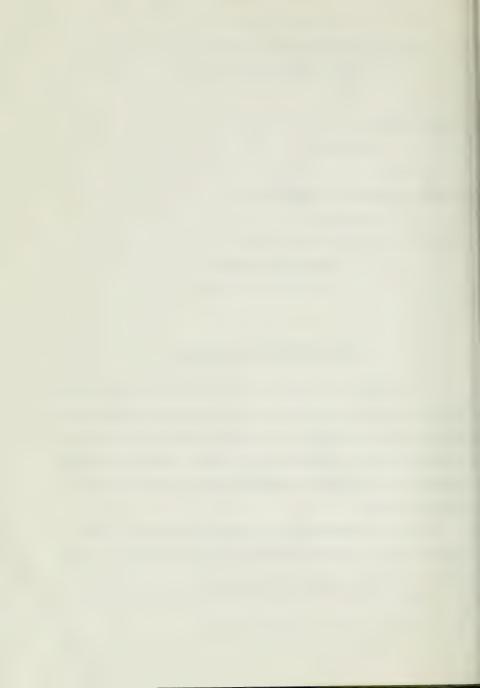
JURISDICTIONAL STATEMENT

The appellant, Alex Torres, and co-defendant, Paul Garcia, 1/were each charged in a three-count Federal Grand Jury Indictment filed in the Southern District of California, Central Division, on February 10, 1965, with violations of Title 21, United States Code, Section 174, and Title 26, United States Code, Sections 4704(a), 7237 [C.T. 2]. 2/

Count One charged that on or about September 25, 1964, appellant and co-defendant Garcia knowingly and unlawfully received,

 $[\]frac{1}{2}$ Also known as Raul Garcia (Reporter's Transcript, pp. 10, 104).

^{2/ &}quot;C. T." refers to Clerk's Transcript.



concealed, and facilitated the concealment and transportation of a specified quantity of heroin.

Count Two related to the same quantity of heroin and the same date mentioned in Count One and charged that appellant and Garcia sold and facilitated the sale thereof.

Count Three related to the same quantity of heroin and the same date mentioned in Counts One and Two of the Indictment and charged that appellant and Garcia knowingly and unlawfully sold and distributed heroin which was not then and there from its original stamped package and was not in its original stamped package.

On February 23, 1965, appellant Torres was arraigned before the Honorable Charles H. Carr, United States District Court Judge.

Appellant was represented by his attorney, Frank Duncan, and entered a plea of not guilty to the three counts of the Indictment [C. T. 5].

On April 12, 1965, co-defendant Garcia entered a plea of guilty to Count Three before the Honorable Charles H. Carr [R.T. 10]. $\frac{3}{}$ The appellant was tried alone on April 14, 1965, before the Honorable Ray McNichols, United States District Court Judge, jury having been waived. The appellant was found guilty as charged in the three-count Indictment [C.T. 11]. On April 15, 1965, Findings of Fact were filed by the Court [C.T. 12]. On April 22, 1965, the appellant was sentenced to the custody of the Attorney General for a period of five years on Counts One and Two and for a period of two years on Count Three; said sentences on Counts Two and Three

^{3/ &}quot;R. T." refers to the Reporter's Transcript.



to run concurrently with the sentence imposed on Count One [C. T. 16].

A timely Notice of Appeal was filed by the appellant on April 30, 1965 [C.T. 17].

The offenses occurred in the Southern District of California, Central Division. The District Court had jurisdiction by virtue of Title 18, United States Code, Section 3231, Title 21, United States Code, Section 174, and Title 26, United States Code, Sections 4704(a), 7237. Jurisdiction of this Court rests pursuant to Title 28, United States Code, Sections 1291 and 1294.

II.

STATUTES INVOLVED

Title 21, United States Code, Section 174 provides in pertinent part:

"Whoever . . . knowingly . . . receives, conceals, buys, . . . sells, or in any manner facilitates the transportation, concealment, or sale or any such narcotic drug after being imported, . . . knowing the same to have been imported . . . into the United States contrary to law, . . . shall be imprisoned not less than 5 or more than 20 years, and in addition, may be fined not more than \$20,000."

Title 26, United States Code, Section 4704(a) reads in pertinent part as follows:



"... It shall be unlawful for any person to purchase, sell, dispense, or distribute narcotic drugs except in the original stamped package or from the original stamped package; and the absence of appropriate tax paid stamps from narcotic drugs shall be prima facie evidence of a violation of this sub-section by the person in whose possession the same may be found."

III.

STATEMENT OF THE FACTS

In July, 1964, negotiations for the purchase of heroin began between co-defendant Raul Garcia and agent Chris V. Saiz of the Federal Bureau of Narcotics [R. T. 58]. Agent Saiz assumed an undercover identity as Chris Chavez, a purchaser of heroin from Albuquerque, New Mexico [R. T. 12, 62]. A meeting took place at Garcia's residence on the night of September 24, 1964, between Garcia and agent Saiz. Garcia did not have the heroin at this time but arranged to get it the following night. Garcia was paid \$100.00 by agent Saiz for the purchase of the heroin [R. T. 12, 58, 60].

On the night of September 25, 1964, Garcia and undercover agent Saiz proceeded to Rocha's Bar for the express purpose of



meeting Garcia's source of supply of heroin [R. T. 15, 61]. At about 9:50 p.m., appellant Alex Torres entered the bar and met with Garcia and agent Saiz. During a brief conversation between Garcia, appellant and agent Saiz, appellant stated that he did not have any heroin with him, but that he could get it. Appellant inquired as to how much heroin agent Saiz wanted, and when told by Garcia, \$200.00 worth, appellant said that he could sell them one-quarter of an ounce. Agent Saiz agreed to purchase this amount from appellant. Thereafter, as agent Saiz testified, appellant told Garcia, "'Well, let's you and I go get the stuff' or heroin, 'and he [Saiz] will remain here.' "Appellant then left the bar [R. T. 16, 17, 62].

Torres and Garcia were under the surveillance of agent Briggs as Torres drove his car to a residence on Rich Street in Los Angeles [R. T. 96-97]. Torres then left the automobile and proceeded to a side door of a building while Garcia waited in the car [R. T. 17, 96, 97]. Torres returned to the car a few minutes later, dropped some balloons into Garcia's hand and said "Here is the stuff" and then he and Garcia drove back to Rocha's Bar [R. T. 17, 97].

At approximately 11:10 p.m., appellant and Garcia arrived back at Rocha's Bar with the heroin and met again with undercover agent Saiz. Appellant at this time apologized for not having the amount wanted but told Garcia, in Saiz' presence, that he (appellant) "would be able to get it if given more time" [R.T. 19, 63].

While leaving the bar, agent Saiz told appellant, "Well, the



trip wasn't entirely in vain . . . I did have a quarter of an ounce" and appellant responded "Well, maybe the next time you come I can have the whole amount for you" $[R.\,T.\,\,19,\,63].$

Outside of the bar Garcia and agent Saiz spoke together and thereafter Garcia handed a Salem cigarette package to agent Saiz containing eight rubber balloons of heroin [R.T. 20, 64].

IV.

ERRORS SPECIFIED BY APPELLANT

The appellant has specified the following points on appeal: $\frac{4}{}$

- 1. "The Motion for a New Trial should have been granted, since the Government's case rested largely upon the testimony of an informer-accomplice, Raul Garcia, whose reliability and degree of credibility was severely attacked by the trial court."
- 2. "No actual or constructive possession were established; at the very best, only a conspiracy between appellant and the informer to obtain narcotics, and the informer having been given immunity, the Government did not prosecute the conspiracy charge."

4/

Appellant's Opening Brief, p. 3.



V.

ARGUMENT

A. DENIAL OF MOTION FOR A NEW TRIAL WAS PROPER.

It is a well settled rule that a motion for a new trial is directed to the sound discretion of the trial court. The trial court's ruling, in denying a motion for a new trial will not be disturbed in the absence of a clear abuse of that discretion.

Talon, Inc. v. Union Slide Fastener, Inc.,

266 F. 2d 731 (9 Cir. 1959);

Lavine v. Jamison, 230 F. 2d 909 (9 Cir. 1956);

Jayson v. United States, 294 F. 2d 808 (5 Cir. 1961);

Davis v. Yellow Cab Co. of Petersburg,

220 F. 2d 790 (5 Cir. 1955).

In the case at hand, the trial court was satisfied that the appellant had had a fair trial and that, upon the issue of credibility, appellant had had every opportunity to present his side of the story to the court. Thus, no abuse of discretion by the trial court in overruling the motion for a new trial, has been established.

<u>Harper</u> v. <u>United States</u>, 296 F. 2d 612 (9 Cir. 1961); La Porta v. United States, 266 F. 2d 645 (5 Cir. 1959).

Appellant's argument that the trial court should have granted a new trial is founded on the premise that Garcia, labelled erroneously by appellant as an "informer-accomplice", was not reliable and that the court did not in fact believe him. Initially, it



should be pointed out that Garcia is not an "informer". Garcia was at all times an accomplice and co-defendant in this case [R. T. 10]. He was arrested [R. T. 23] and indicted along with the appellant [C. T. 2]. The fact that he voluntarily pleaded guilty and testified against the appellant and was sentenced separately does not establish, as appellant contends, that the witness testified falsely. Nor has there been any showing of bias on the part of Garcia inasmuch as he testified that no promises had been made to him in return for his testimony [R. T. 46].

<u>United States</u> v. <u>Aviles</u>, 274 F. 2d 179, cert. den. 362 U.S. 974.

Appellant quotes the trial court (p. 8, Appellant's Brief), in support of his allegation. However, appellant failed to quote the sentence immediately following which reads as follows:

"However, with the testimony of the Agent Saiz
as to what he overheard and tying it together, I think
the government made out its case." [R.T. 149; Emphasis added].

Thus, since Garcia's testimony was corroborated by agent Saiz, and by agent Briggs, the court did in fact consider his testimony, at least to this extent, trustworthy.

When questions of credibility and weight of the evidence are involved, the verdict of the trial court will not be disturbed on appeal since it is not the function of the appellate courts to weigh the evidence or to determine the credibility of the witnesses.



Sandiz v. United States, 239 F. 2d 239 (9 Cir. 1956);

Penosi v. United States, 206 F. 2d 529 (9 Cir. 1953);

Lutfy v. United States, 198 F. 2d 760 (9 Cir. 1952);

United States v. Coduto, 284 F. 2d 464 (7 Cir. 1960);

United States v. Bailey, 277 F. 2d 560 (7 Cir. 1960).

The Government respectfully submits that the District Court's denial of appellant's Motion for a New Trial was proper and should not be overruled on appeal.

B. THE EVIDENCE WAS SUFFICIENT TO SUSTAIN THE CONVICTION.

On appeal from a conviction, the evidence and all inferences which may be reasonably drawn therefrom, are to be viewed in the light most favorable to the Government.

Noto v. United States, 367 U.S. 290 (1961);

Byrne v. United States, 327 F. 2d 825 (9 Cir. 1964);

White v. United States, 315 F. 2d 113 (9 Cir. 1963);

Mosco v. United States, 301 F. 2d 180 (9 Cir. 1962);

Bolin v. United States, 303 F. 2d 870 (9 Cir. 1962).

In the present case, the evidence was sufficient to support the verdict of guilty inasmuch as the Government did prove all of the essential elements of the crimes charged; the testimony of the co-defendant-accomplice was corroborated; the trier of fact believed beyond a reasonable doubt that the appellant had had possession of, and was instrumental in the sale of the heroin.



 The Government Did Prove All Of The Essential Elements Of the Offenses Charged.

To facilitate in any manner, the transportation, concealment, or sale of heroin means to willfully do any act which makes less difficult in any way the concealment, transportation, or sale of the heroin.

<u>Vasquez</u> v. <u>United States</u>, 290 F. 2d 897 (9 Cir. 1961); <u>Bruno</u> v. <u>United States</u>, 259 F. 2d 8 (9 Cir. 1958); <u>Pon Wing Quong</u> v. <u>United States</u>, 111 F. 2d 751 (9 Cir. 1940).

The summary of the evidence offered by the Government and believed by the Court in the present case clearly establishes that the appellant offered to sell a quarter ounce of heroin to the undercover agent [R. T. 62]; that the appellant drove his car to and from the place where the heroin was picked up [R. T. 17, 18]; that the heroin was not then and there in or from its original stamped package [R. T. 18]; that the appellant knowingly and willfully participated in the illicit sale and distribution of the heroin, since appellant indicated that he could get the "stuff" or heroin [R. T. 62], and also offered to "get more heroin next time" [R. T. 63].

In addition, subsequent to the September, 1964, sale, another meeting took place in January, 1965, between agent Saiz, co-defendant Garcia, and appellant [R.T. 67]. At this time, agent Saiz asked appellant how much the heroin was going to be and appellant replied that "it would be approximately the same price as



the last heroin", referring to the September 25, 1964, sale.

Agent Saiz indicated, at this time, that the price had been too high on the previous sale to which appellant replied that he "would have to confer with his connection and see how much he could get it for."

[R. T. 68]. This clearly establishes appellant's willingness and intent to deal in the illicit sale of the heroin as charged in the indictment.

It is respectfully submitted that the Government has carried the burden of proving every essential element of the offense charged beyond a reasonable doubt.

2. The Testimony Of The Co-Defendant-Accomplice Was Corroborated and Reliable.

This Court has repeatedly held that the testimony of an accomplice does not require corroboration.

<u>Marcella</u> v. <u>United States</u>, 285 F. 2d 322 (9 Cir. 1960);

<u>Channel</u> v. <u>United States</u>, 285 F. 2d 217 (9 Cir. 1960);

<u>Claypole</u> v. <u>United States</u>, 280 F. 2d 768 (9 Cir. 1960).

However, in the present case, the testimony of the co-defendant-accomplice Garcia, was in fact corroborated in all essential details by agent Saiz and agent Briggs. These corroborated facts relate to the meeting between agent Saiz, Garcia, and appellant; the



negotiation for the purchase and sale of the heroin; the eventual agreement as to the price and quantity; the going to and coming from the residence where the heroin was obtained; the return to the Bar with the heroin; and the subsequent conversation between agent Saiz, Garcia and appellant.

Credibility of corroborated testimony of a witness is to be considered by the trial court sitting without a jury and is not open for consideration by the reviewing court.

Sandiz v. United States, 239 F. 2d 239 (9 Cir. 1956);

Penosi v. United States, 206 F. 2d 529 (9 Cir. 1953);

United States v. Bailey, supra;

United States v. Coduto, supra;

Lutfy v. United States, supra.

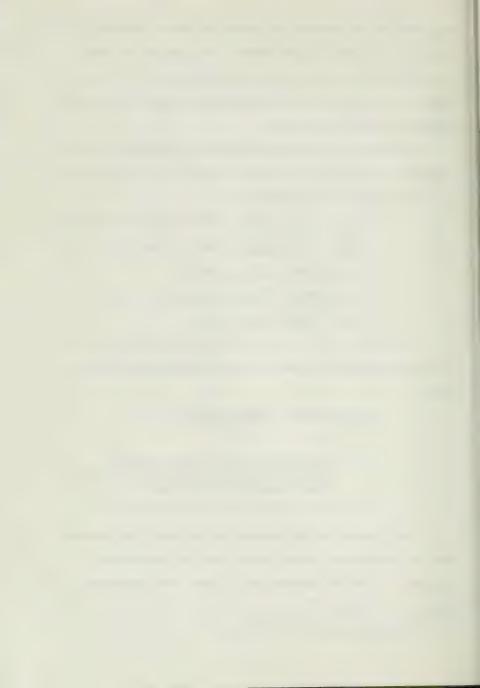
As stated, the fact that the co-defendant pleaded guilty and was sentenced separately does not show that he testified falsely ab initio.

United States v. Aviles, supra.

3. The Trier Of Fact Believed, Beyond a Reasonable Doubt, That The Appellant Had Possession Of The Heroin.

The Findings of Fact indicate that the trier of fact believed agent Saiz and witness Garcia, rather than the story told by appellant; and that the appellant did, in fact, have possession of the heroin as charged. $\frac{5}{}$

^{5/} Finding of Fact No. V [C. T. 12].



The evidence which supports the trial court's Findings of Fact regarding the question of appellant's possession of the heroin is as follows:

- (1) Physical presence of the appellant at the scene of the transaction;
- (2) In the middle of the transaction, at a time between the co-defendant's receiving the money for the heroin and the time of actual delivery to agent Saiz, there was a contact and conversation between co-defendant and the appellant;
- (3) The appellant drove the automobile to and from the house where the heroin was obtained;
- (4) Agent Briggs observed the appellant go into the house by himself and return to the automobile a few minutes later;
- (5) The appellant returned to the bar with the co-defendant, having already given the heroin to the co-defendant, and at this time agent Saiz was handed the heroin.
- that he had not returned to the Bar where the sale was made by agent Briggs' testimony that he observed the appellant's vehicle parked outside the Bar during this time. Appellant had testified that he kept the car with him at all times and did not return to the Bar. Additionally, agent Saiz and



co-defendant Garcia testified that appellant Torres was present at the Bar when the sale was made.

From the foregoing, it is evident that there is substantial evidence to support the trial court's Findings of Fact and that the appellant did have possession of the heroin as charged.

The authorities are endless for the proposition that findings of fact, supported by evidence, will not be disturbed on appeal.

Jensen v. United States, 362 F. 2d 891 (9 Cir. 1964);

Jue v. Ball, 299 F. 2d 374 (9 Cir. 1962);

Tonkoff v. Barr, 245 F. 2d 742 (9 Cir. 1957);

Great American Indemnity Co. v. Brown,

307 F. 2d 306 (5 Cir. 1962).

The well-settled rule is that possession may be either actual or constructive, and that proof of dominion and control over narcotics sufficient to establish possession thereof may be by use of either circumstantial or direct evidence.

Rodella v. United States, 286 F. 2d 306 (9 Cir. 1960).

In view of the substantial circumstantial evidence that appellant did have possession of the subject heroin, the evidence was sufficient to authorize the conviction.

<u>United States</u> v. <u>Malfi</u>, 264 F. 2d 147, <u>cert. den.</u> 361 U.S. 817.

The trial court, having thus determined that the appellant did have possession of the heroin, the fact of such possession, unless satisfactorily explained, permits the inferences that the heroin was brought or imported into the United States of America



contrary to law; that appellant had knowledge that the narcotic drug was imported or brought in contrary to law; that the heroin was distributed in or from an unstamped package; and that the appellant had knowledge that the heroin was distributed in or from a package not bearing the tax-paid revenue stamps required by law.

<u>Harris</u> v. <u>United States</u>, 359 U.S. 19 reh. den. 357 U.S. 976;

Anthony v. United States, 331 F. 2d 687 (9 Cir. 1964);

<u>Brothers</u> v. <u>United States</u>, 328 F. 2d 151 (9 Cir. 1964);

Medrano v. United States, 315 F. 2d 361
(9 Cir. 1963);

Walker v. United States, 301 F. 2d 94
(4 Cir. 1962).



VI.

CONCLUSION

For the reasons stated above, it is respectfully submitted that the judgment of the District Court should be affirmed.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this Brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Brief is in full compliance with those rules.

/s/ Gabriel A. Gutierrez

GABRIEL A. GUTIERREZ Assistant U. S. Attorney



NO. 20214

IN THE

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

LEONA LEGG,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S ANSWERING BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

OCT 15 1965

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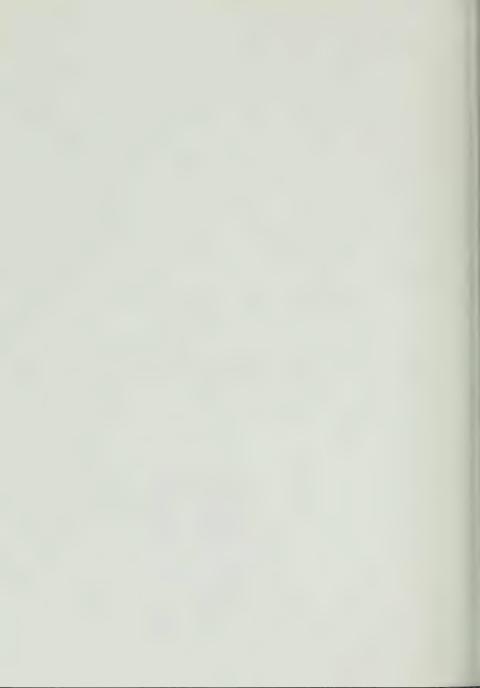
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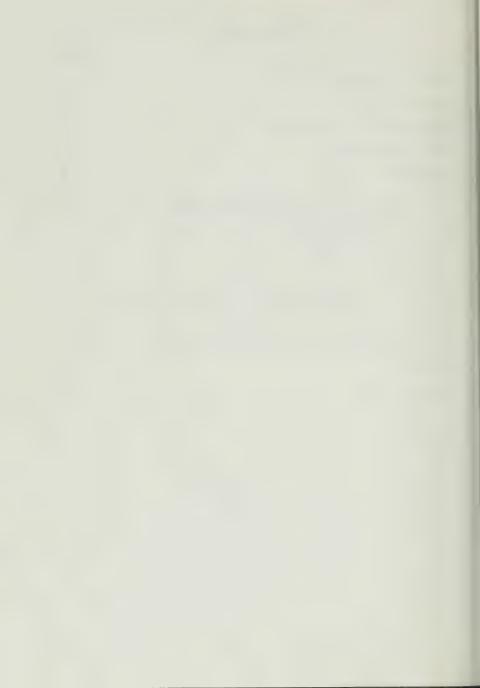
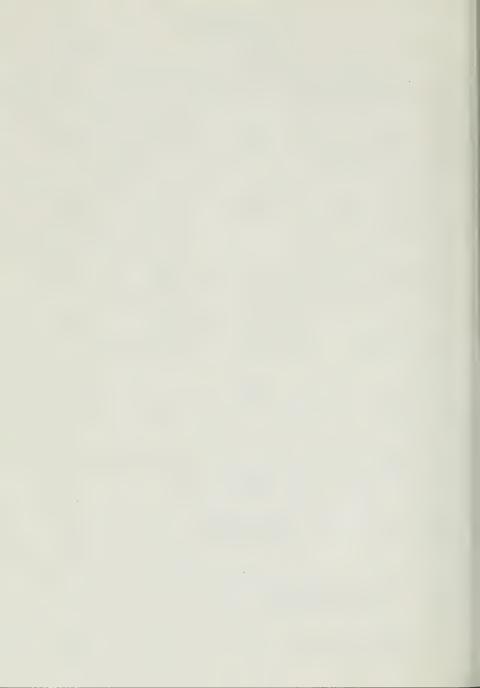


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NO. 20214

IN THE

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LEONA LEGG.

Appellant,

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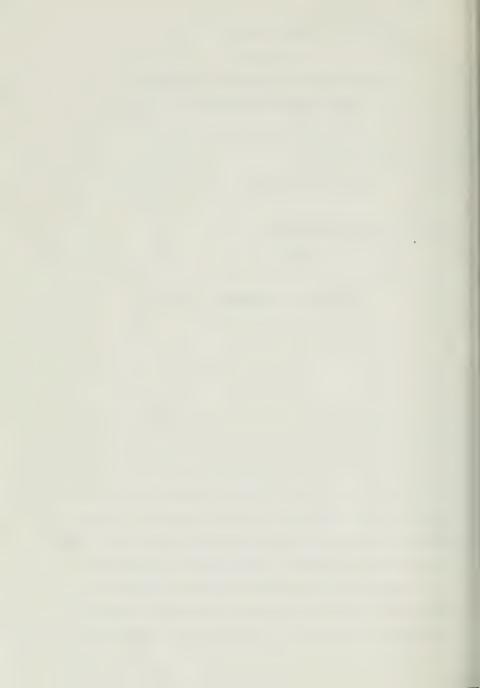
Appellee.

APPELLEE'S ANSWERING BRIEF

JURISDIC TION

Jurisdiction in the District Court was alleged to be based on the Federal Old Age Benefits Insurance, the Federal Tort Claims Act, 28 U.S.C. § 1257, and 28 U.S.C. § 2303. (T.R. pp. 2 and 77). Title 28, U.S.C. § 1257 relates to appeals from the highest state court to the Supreme Court of the United States and has absolutely no bearing on the case at hand. Title 28 U.S.C. § 2303 is nonexistent and, therefore, cannot confer any jurisdiction.

The Federal Old Age Benefits Insurance allegation of jurisdiction is apparently an allegation of jurisdiction under the Social Security Act, Title 42, U.S.C. The jurisdictional provisions

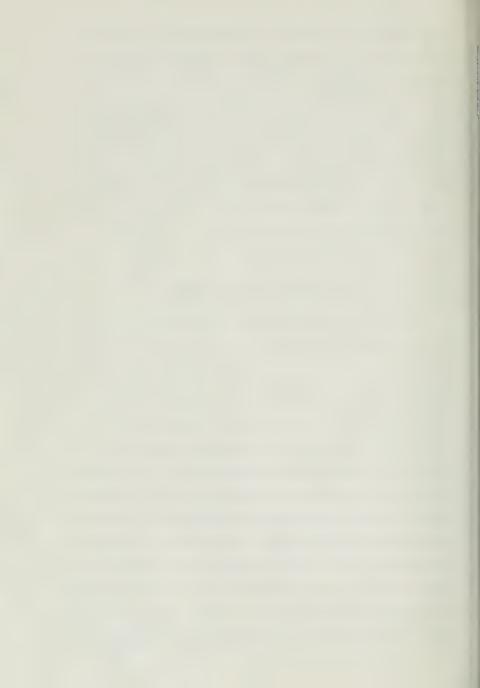


of the Federal Tort Claims Act are in 28 U.S.C. § 1346. With these allegations, the District Court had jurisdiction to consider the appellant's claims.

The orders dismissing the appellant's Complaints being final orders (T.R. pp. 51 and 83), this Court has jurisdiction of the present appeal from them under the provisions of 28 U.S.C. § 1291. The problems arising from the failure of the appellant to file a Notice of Appeal in case number 64-732 CC will be considered separately in our argument.

STATEMENT OF THE CASE

This is an appeal from two related actions originating in the Southern District of California, Central Division. The plaintiff in each case was Leona Legg, and the defendant in both of them was the United States of America. Case number 64-591 CC was filed on May 4, 1964, and case number 64-732 CC was filed on June 1, 1964. Both cases were dismissed by Order of the Honorable Charles H. Carr dated July 28, 1964. Case number 64-591 CC was dismissed on the motion of the United States of America. That motion was made on the grounds that the Court lacked jurisdiction of the subject matter and that the Complaint failed to state a claim upon which relief could be granted. Case number 64-732 CC was dismissed on the Court's own motion on the ground that the Court lacked jurisdiction of the subject matter. After a denial of her Motion for Reinstatement on September 11,



1964, the appellant filed her Notice of Appeal in case number 64-591 CC.

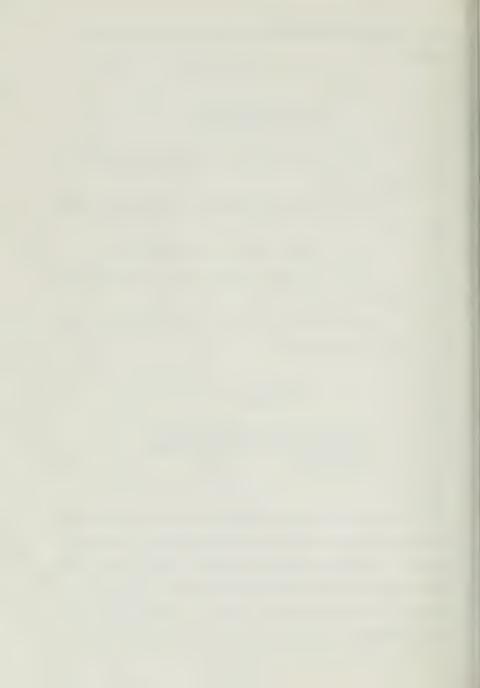
ISSUES PRESENTED

- 1. Is there jurisdiction of the appeal in case number 64-732 CC?
- 2. Does res judicata operate as a bar to the appellant's claims?
 - (a) General application of the rules.
- (b) The fraud, inadvertence or mistake claimed by the appellant.
- 3. Did the District Court err in failing to allow appellant to amend her complaint?

ARGUMENT

1. This Court Has No Jurisdiction To Hear An Appeal From Case Number 64-732 CC.

Orders dismissing cases number 64-591 CC and 64-732 CC were signed and entered on the same days (T.R. pp. 50, 51, 53, 83 and 85). Thereafter, the appellant filed a Motion for Reinstatement of the Action in case number 64-591 CC (T.R. p. 54). Upon the denial of this motion (T.R. p. 68), the appellant filed her Notice of Appeal in case number 64-591 CC, only (T.R. p. 71).



In her Designation of Record on Appeal (T.R. pp. 73-76), the appellant indicates an attempt to appeal from the dismissal orders in both cases. Without having filed a Notice of Appeal in case number 64-732 CC, the appellant has attempted to have the dismissal order reviewed by this Court.

Filing of notice of appeal within the required time is jurisdictional.

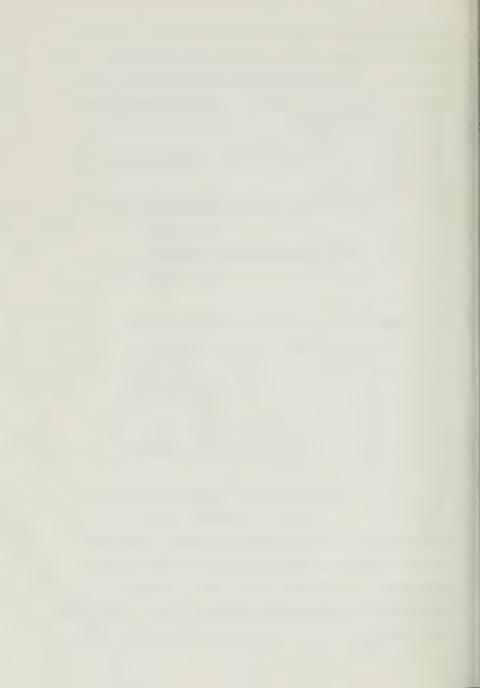
Mondakota v. Montana-Dakota Utility Co.,
194 F. 2d 705 (9th Cir. 1952);

Stone v. Wyoming Supreme Court, 236 F. 2d 275 (10th Cir. 1956).

"Since notice of appeal was not filed until after the expiration of thirty days from the entry of judgment appealed from, and no effective action was taken in the court below to extend the appeal period, we do not possess the power to entertain the appeal. Consequently, it will be dismissed for lack of jurisdiction."

Plant Economy, Inc. v. Mirror Insulation Co., 308 F. 2d 275 (3rd Cir. 1962).

The filing of a notice of appeal is jurisdictional. In this case, the order dismissing the Complaint in case number 64-732 CC was entered on July 29, 1964 (T.R. p. 83). Thereafter, the appellant did nothing to keep her appeal time alive. Indeed, there was no indication that she even considered an appeal from 64-732



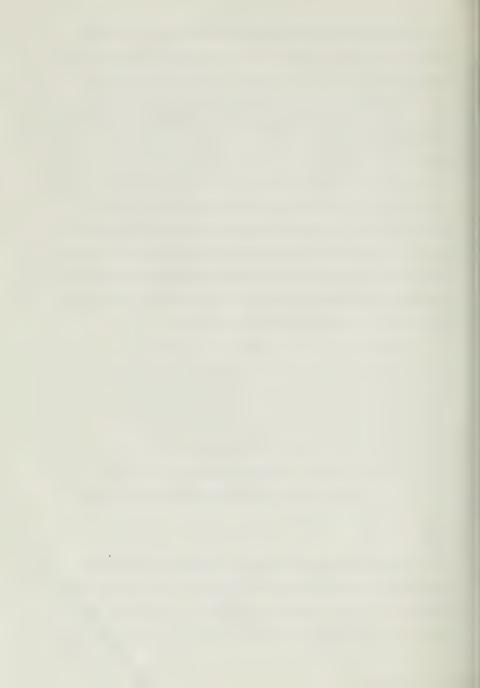
CC until her Designation of Record filed on October 7, 1964, referred to a notice of appeal in it. These facts are not such as would justify the Court in considering an appeal in 64-732 CC.

The appellee is aware of cases like Parks v. B. F. Leaman and Sons, Inc., 279 F. 2d 529 (5th Cir. 1960), and Passi v. Telechron, Inc., 349 U.S. 46, 75 Sup. Ct. 577, 99 L. Ed. 867 (1955). The Parks case held that where one notice of appeal and one filing fee were paid in the appeal from nine separate, but related, admiralty cases, the Court of Appeals had jurisdiction to hear all of them. It is plainly distinguishable from the case at bar in that here no notice of appeal was ever filed in case number 64-732 CC. An examination of the language of the Parks decision shows that it is in accord with the rule above announced.

"While we, of course, agree with appellee's proposition that substantial compliance with the requirements for appeal is jurisdictional, and therefore mandatory, we cannot agree with their view that the filing of a single notice and the payment of a single fee was not substantial compliance."

Parks v. B. F. Leaman and Sons, Inc., supra, p. 532.

In the Mondakota case, supra, the Court of Appeals was faced with a situation where the appellant had tendered his notice of appeal to the clerk within the appeal time, but he had failed to tender the filing fee within that time. Although the filing fee was

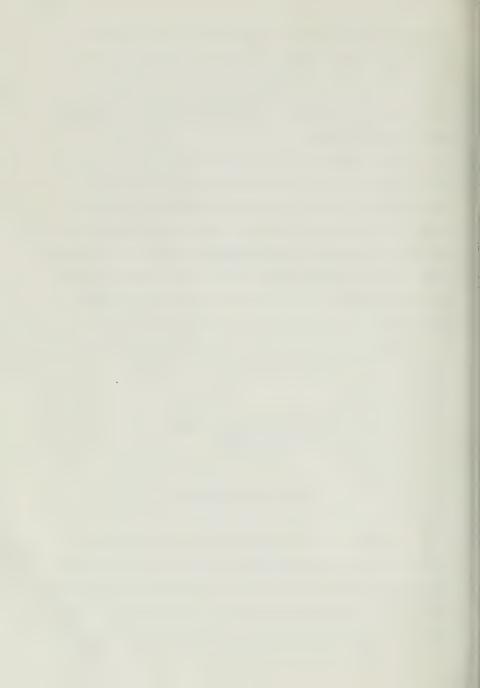


later tendered, it was after the time for appeal had passed. The clerk refused to accept the notice without the filing fee. The Court of Appeals said that under these circumstances it was without jurisdiction to hear the appeal. Mondakota Gas Co. v. Montana-Dakota Utility Co., supra.

A factually similar situation was presented to the Supreme Court in the Passi v. Telechron case, supra. There the court held that tender of the notice of appeal without the filing fee was enough to give the court jurisdiction to entertain the appeal. Even with this modification of the Mondakota rule, it is clear that failure to file a notice of appeal within the time allowed creates a fatal defect in the appellate court's jurisdiction. The appeal in case number 64-732 CC must, therefore, be dismissed. This Court is without jurisdiction to consider that appeal because a Notice of Appeal was never filed.

- Res Judicata Operates As a Bar to the Appellant's Claims.
 - (a) Res Judicata Generally.

It is apparent from the record that the basis of the dismissal of the appellant's Complaints in the lower court was based on the doctrine of res judicata. The appellee's Motion to Dismiss (T. R. pp. 11-37) particularly incorporated the pertinent portions of the record of case number 62-1624 HW. As a ground for the



Motion to Dismiss, res judicata was specifically mentioned (T.R. p. 15). Rule 43(e), Federal Rules of Civil Procedure, allows for the consideration of matters outside the pleadings in the consideration of a Rule 12 motion. Therefore, the lower court's consideration of the issue of res judicata on a motion to dismiss was proper.

The arguments in support of the dismissal of case number 64-591 CC on the basis of res judicata would apply equally well in support of the dismissal of case number 64-732 CC, were an appeal in that case before the court. The dismissal there was on the court's own motion (T. R. p. 83). The dismissal was signed on the same day as that in the case numbered 64-591 CC. Had the appellant appealed from the dismissal of 64-732 CC, we would apply the following authorities to argue the dismissal was also correct.

The necessary elements for res judicata are correctly set out in the case of Bernard v. Bank of America National Trust and Savings Association, 19 Cal. 2d 807, 122 P. 2d 892 (1942), which the appellant cited. It is well settled that a judgment entered in an action conclusively settles that action as to matters that were or might have been litigated or adjudged.

Partmar Corp. v. Paramount Corp.,
347 U.S. 89, 74 Sup. Ct. 414,
98 L. Ed. 532;

Cromwell v. County of Sac, 94 U.S. 351, 352, 24 L.Ed. 195;



Fayerweather v. Ritch,

195 U.S. 276, 300, 308, 25 Sup. Ct. 58, 49 L. Ed. 193;

Gunter v. Atlantic Coast Line R. Co.,
200 U.S. 273, 290, 26 Sup. Ct. 252,
50 L. Ed. 477;

Stoll v. Gottlieb,

305 U.S. 165, 59 Sup. Ct. 134, 83 L.Ed. 104.

"We think it sufficient to quote briefly from the Supreme Court Opinion in Southern Pacific R. Co. v. United States, 1897, 168 U.S. 1, at page 48, 18 S. Ct. 18, 42 L.Ed. 355:

* * * a right, question, or fact distinctly
put in issue, and directly determined by a

court of competent jurisdiction, as a ground
of recovery, cannot be disputed in a subsequent
suit between the same parties or their privies;
and, even if the second suit is for a different
cause of action, the right, question, or fact
once so determined must, as between the
same parties or their privies, be taken as
conclusively established, so long as the
judgment in the first suit remains unmodified.' "
Bridges v. United States,

199 F. 2d 811, 826 (9th Cir. 1952).



The rule is too well settled to admit to argument. However the appellant seeks to avoid the application of the rule. At page 11 of her Opening Brief, the appellant cited the <u>Bernard</u> case, <u>supra</u>, and lists the three elements of the test of applicability of the doctrine of res judicata. We are told by the appellant that the issues of the two cases, numbers 62-1624 HW and 64-591 CC, were not the same. We are told that there was no final judgment in 62-1624 HW. We are also told that the parties defendant were not the same.

As to the question of the issues being the same, the appellant's arguments have no merit. In both cases, and in 64-732 CC as well, the only basis of the appellant's claims is in connection with Title 42, U.S.C., the Social Security Act. The quotation from the Southern Pacific R. Co. v. United States cited in Bridges v. United States, supra, is directly in point. Even though the Complaints in 62-1624 HW and 64-591 CC (or 64-732 CC) may sound differently, the "right, question, or fact" of the appellant's eligibility for benefits under Title 42, U.S.C. cannot be relitigated here. These rights, questions and facts have been conclusively determined under the Findings of Fact, Conclusions of Law and Judgment entered in case number 62-1624 HW. The appellant is bound by that decision since she did not appeal it.

Next the appellant argues at page 11 of her Opening Brief that there was no final decision in the case numbered 62-1624 HW, only a "judgment of dismissal without a trial". This is an obviously incorrect statement. The judgment in case numbered



62-1624 HW was entered after a hearing of the motion of the defendants for summary judgment. Findings of fact were made and conclusions of law adopted. The decision of the defendant Anthony Celebrezze, was found conclusive and was affirmed (T.R. pp. 34-36). Clearly, this was a decision on the merits by which the appellant here is bound since she did not appeal it.

Lastly, the appellant claims that the doctrine of res judicata is not applicable because the parties in the two cases, 62-1624 HW and 64-591 CC, were not same. There is no merit in this argument either.

"The result is clear. Where the issues in separate suits are the same, the fact that the parties are not precisely identical is not necessarily fatal. As stated in Chicago, R.I. & P. Ry. Co. v. Schendel, 270 U.S. 611, 620, 'Identity of parties is not a mere matter of form, but of substance. Parties nominally the same may be, in legal effect, different, . . . and parties nominally different may be, in legal effect, the same.' A judgment is res judicata in a second action upon the same claim between the same parties or those in privity with them. Cromwell v. County of Sac, 94 U.S. 351. There is privity between officers of the same government so that a judgment in a suit between a party and a representative of the United States is res judicata in relitigation of the same issue



between that party and another officer of the government." [Emphasis added].

<u>Sunshine Coal Co.</u> v. <u>Adkins</u>, 310 U.S. 381, 402-403, 60 Sup. Ct. 907,

84 L. Ed. 263.

Also directly in point here is the case of Edgar v. United States, 171 F. Supp. 243 (Ct. Cl. 1959). There the appellant had sued for money damages for a wrongful discharge as a federal employee. The appellant had previously lost a suit in the district court for reinstatement on the grounds that he had not exhausted his administrative remedies. The Court of Claims held that appellant was estopped by res judicata in his claim for money damages by the unappealed district court decision.

Appellant's position here is exactly analogous. She is bound by a valid judgment that the administrative handling of her claims is conclusive. It is axiomatic that if the appellant in this case does not have a valid claim for benefits under the Social Security Act, a denial by the officers of the Department of Health, Education, and Welfare, of any benefits could not be wrongful. The issues being the same in the case numbered 62-1624 HW as they are in the one now on appeal, the appellant is barred from relitigation of them. The decision of the district court dismissing the Complaint was correct and must be affirmed.

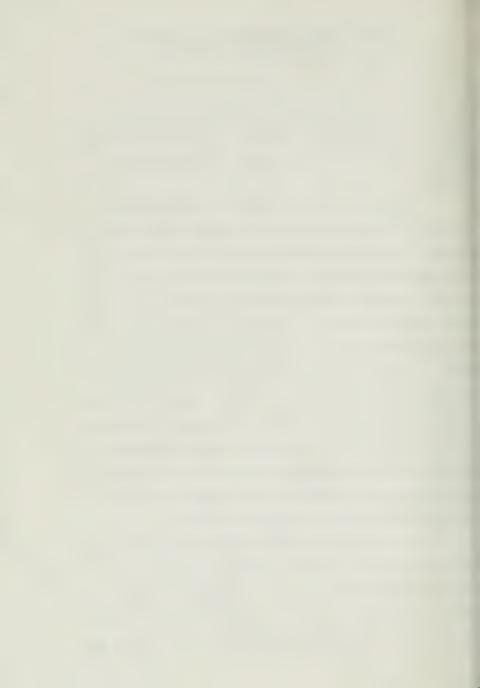


(b) Fraud, Inadvertence Or Mistake Claimed in Case Number 62-1624 HW.

To avoid the application of the rule of res judicata, the appellant seeks to have the judgment in case number 62-1624 HW held void due to intrinsic or extrinsic fraud, inadvertence or mistake.

The appellant's position with regard to this action, number 62-1624 HW, is set forth in her Statements of Points, number VI at page 99, of the Transcript of Record, and in her Opening Brief at page 12. Although the two statements are not entirely consistent, it seems that the appellant claims that the final judgment which was entered in case number 62-1624 HW is void because the Notice of Motion which she filed on September 12, 1963, which appears at page 94 of the Transcript of Record, was somehow put in the wrong file. The appellant goes on to claim, in her Statement of Points, that she was unaware of the misfiling of this Notice of Motion until the time to appeal had expired. Apparently this is an argument saying that the lower court in case number 62-1624 HW did not have a chance to consider her Motion for Default Judgment against the defendant.

The Transcript of Record at pages 86 through 93, conclusively answers this argument. From these papers it appears that the appellant did know of the entry of judgment against her and that she brought to the court's attention her claimed default and a request to have judgment entered on it. The motions and

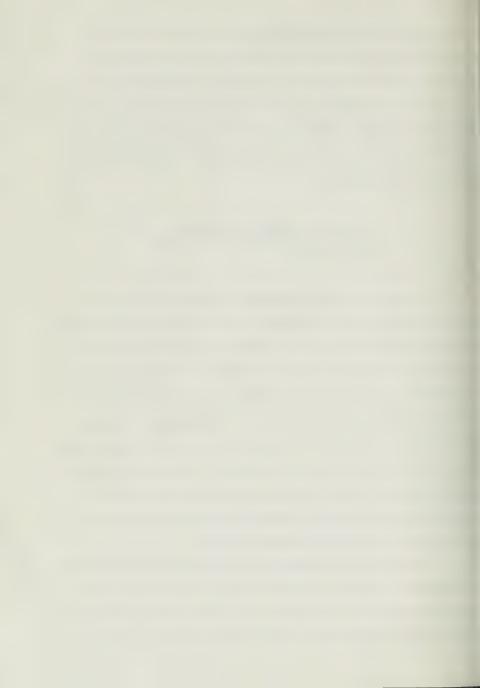


notices contained in pages 86 through 93 in the Transcript of Record are all filed with the court within the sixty day appeal period. Therefore, there is no substance to the claim that the court in 62-1624 HW was unaware of her claimed default and request for judgment. The court considered these matters and decided against the appellant. By her failure to appeal, she is bound by that judgment.

3. The District Court Did Not Err In Failing To Allow Appellant To Amend Her Complaint.

The appellant urges as error the failure of the district court to grant her leave to amend her Complaint prior to dismissal (Opening Brief, p. 3). The appellee is aware of the liberal construction usually allowed persons unfamiliar with the procedural aspects of presenting a claim. While appellee agrees that the kind of decision announced in the case of Dioguardi v. Durning, 139 F. 2d 774 (2nd Cir. 1944) is correct, the rule is not applicable here. We have seen that the fatal defect of the appellant's Complaint is that the issues raised have already been adjudicated adversely to the appellant. Since the prior adjudication was not appealed, it is binding on the appellant here.

No amount of amendment could cure the defect found in the Complaint. The appellant cannot continue to harass the courts with a multitude of suits such as those three involved in this case. For reasons of sound public policy the doctrine of res judicata



must be applied to silence the all-inclusive and often repeated Complaints of the appellant. The district court did not abuse its discretion in not allowing appellant leave to amend.

SUMMARY

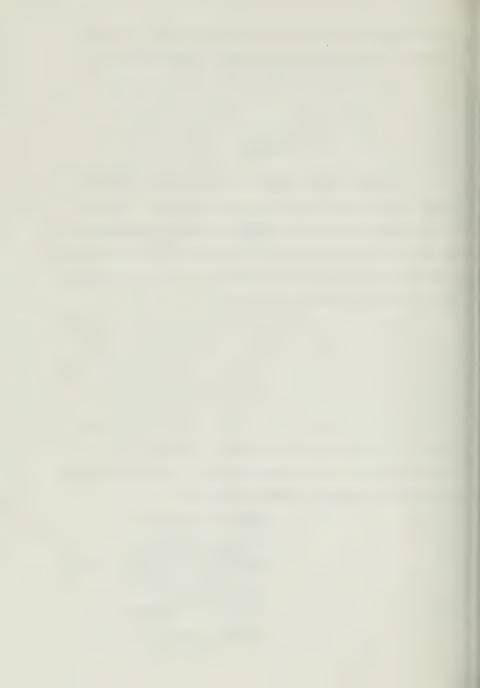
The appeal in case number 64-732 CC must be dismissed because the appellant did not file a Notice of Appeal. Therefore, this Court has no jurisdiction to modify or alter the judgment in that case. We have also noticed that the arguments of res judicata apply to the district court's original dismissal, and we are satisfied that substantial justice was done then.

All of the requirements of res judicata are present in the dismissal of case number 64-591 CC. The parties are the same or in privity to the parties in the earlier case. The issue in both cases was the right of the appellant to benefits under 42 U.S.C. § 405(g), the Social Security Act. There was a final adjudication in the former case which decided against the appellant here. That adjudication is now binding on this court. For these reasons, the judgment appealed from must be affirmed.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Larry L. Dier LARRY L. DIER



NO. 20213

IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

EDWARD WORTH MENEFIELD and MARY THOMPSON.

Appellants,

VS.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S REPLY BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

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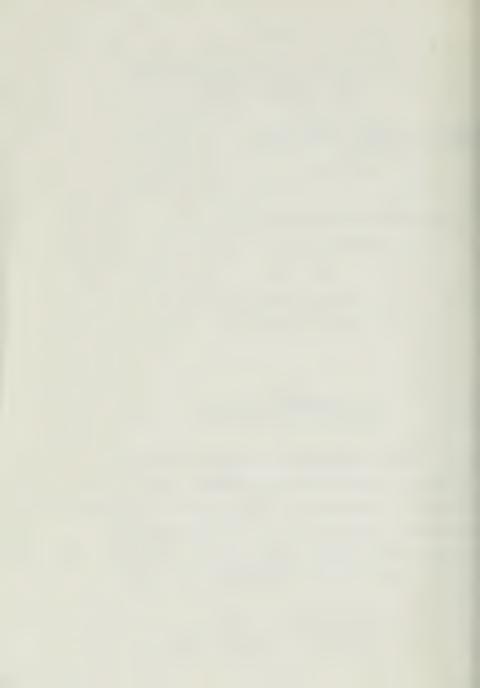
APPELLEE'S BRIEF

I

JURISDICTION AND STATEMENT OF THE CASE

Appellants Menefield and Thompson were severally indicted by a Federal Grand Jury on October 23, 1963, in three counts of a six count indictment, for violation of Title 18, United States Code, Section 659 [C. T. 2]. 1/ The appellants were named as defendants only in Counts 2, 4 and 6. Each of said counts charged possession of goods stolen from interstate shipments.

^{1/} C. T. refers to Clerk's Transcript of Record.



Count 2 charged appellants, together with convicted, non-appealing co-defendant Henry Luther Tate, with possession of 185 cartons of aluminum coffee makers, which had been embezzled (by Tate), from an interstate shipment, valued in excess of \$100.

Count 4 charged appellants, together with convicted, non-appealing co-defendant Tate, with possession of 108 cartons of rubber footwear which had been embezzled (by Tate) from an interstate shipment, valued in excess of \$100.

Count 6 charged appellants, together with convicted, non-appealing co-defendant Tate, with possession of 28 cases of men's shoes which had been embezzled (by Tate) from an interstate shipment, valued in excess of \$100.

On July 29, 1963, a motion was noticed and made by appellant Menefield for the suppression of certain evidence. After hearing before the Honorable Charles H. Carr, the motion was denied [R. T. Vol. A; 1-56]. $\frac{2}{}$

On January 22, 1964, following trial by the Court, the Honorable Charles H. Carr found each of appellants Menefield and Thompson guilty on Counts 2 and 4 and not guilty on Count 6 [C. T. 18].

On February 17, 1964, appellant Menefield was sentenced to the custody of the Attorney General for a period of six years on each count, to run concurrently [C. T. 17].

^{2/} R. T. refers to Reporter's Transcript of Proceedings.



On March 9, 1964, the imposition of sentence on appellant Thompson on Counts 2 and 4 was suspended, and appellant Thompson was placed on three years' probation on each count, to run concurrently [C. T. 19].

On February 18, 1964, and March 19, 1964, appellants Menefield and Thompson, respectively, filed timely notices of appeal [C. T. 21-22].

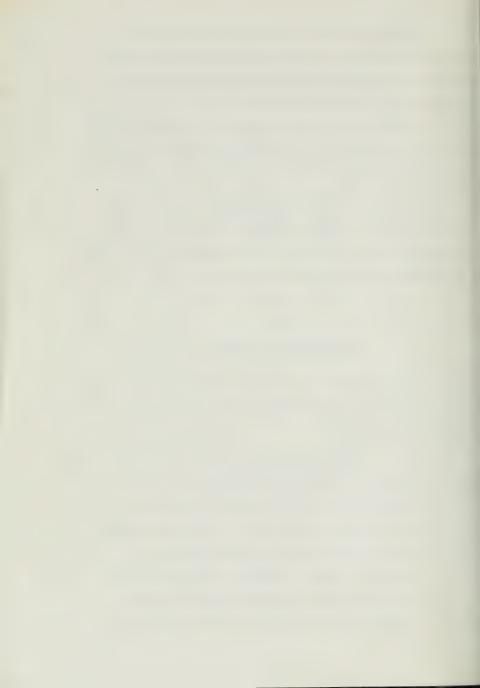
Jurisdiction of the District Court rested on Title 18,
United States Code, Section 3231 and Title 18, United States
Code, Section 659. This Court has jurisdiction under Title 28,
United States Code, Sections 1291 and 1294.

Η

STATUTE INVOLVED

The indictment in this case was brought under Title 18, United States Code, Section 659, which in pertinent part provides as follows:

"Whoever embezzles, steals, or unlawfully takes, carries away, or conceals, or by fraud or deception obtains from any railroad car, wagon, motor truck, or other vehicle, or from any station, station house, platform, or depot or from any steamboat, vessel, or wharf, or from any aircraft, air terminal, airport, aircraft terminal or air navigation facility with intent to convert to his own



use any goods or chattels moving as or which are
a part of or which constitute an interstate or
foreign shipment of freight or express; or

"Whoever buys or receives or has in his possession any such goods or chattels, knowing the same to have been embezzled or stolen; or ..."

* * *

"Shall in each case be fined not more than \$5,000 or imprisoned not more than ten years, or both; but if the amount or value of such money, baggage, goods or chattels does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

"The offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said money, baggage, goods, or chattels.

"The carrying or transporting of any such money, freight, express, baggage, goods, or chattels in interstate or foreign commerce, knowing the same to have been stolen, shall constitute a separate offense and subject the offender to the penalties under this section for unlawful taking, and the offense shall be deemed to have been committed



in any district into which such money, freight, express, baggage, goods, or chattels shall have been removed or into which the same shall have been brought by such offender.

"To establish the interstate or foreign commerce character of any shipment in any prosecution under this section the waybill or other shipping document of such shipment shall be prima facie evidence of the place from which and to which such shipment was made. ..."

III

STATEMENT OF THE FACTS

In April of 1963, the Universal Carloading Company received the goods mentioned in Counts 2 and 4 in and through interstate commerce for ultimate delivery to consignees in California [R. T. 11, 12; 16, 17; 23; 26]. Co-defendant Tate was the truck driver who drove and embezzled the goods from the Universal Carloading Company depot [R. T. 20, 30, 32-33, 37-38, 155]. The proper ultimate consignees never received the goods in question [R. T. 43, 48, 64, 70]. Appellants then obtained possession of the stolen merchandise and stored the bulk of the goods in a garage near the home of the appellants [R. T. 80-81, 83]. Based upon information received from a reliable informant [R. T. 103, 108-110, 112], and continuous



police surveillance [R. T. 104-5, 116-118], the appellants were arrested. Appellant thereafter consented to a search of a garage where he and Thompson had stored the merchandise, contrary to appellant's argument in his brief that he and his family were threatened, he voluntarily consented [R. T. Vol. A]. Value of the goods mentioned in Counts 2 and 4 was in each case established as being in excess of \$100. [R. T. 223-25; 254]. After the Government's case was completed, appellant Menefield without clearly negating his knowledge that the goods in issue were stolen, stated that he had purchased the goods from a casual acquaintance at a great savings [R. T. 243-249]. Finally [R. T. 256], appellant Menefield corroborates the involvement of appellant Thompson in the charged criminal violation by admitting that she had negotiated the lease of the garage and assisted him in storing the goods.

IV

SUMMARY OF ARGUMENT

- I. The confession implicit in the admission of appellant Menefield was voluntary and not violative of the doctrine in Escobedo v. Illinois, infra.
- II. The arrest was based upon probable cause. The search of the garage was consented to and in all respects proper.



V

ARGUMENT

Prefatory Contention

Appellee submits that appellants' entire brief should be stricken as not containing any specification of errors as required by Rule 18(2)(d) of the Rules of this court which provide in pertinent part as follows:

"In all cases a specification of errors relied upon which shall be numbered and shall set out separately and particularly each error intended to be urged. When the error alleged is to the admission or rejection of evidence the specification shall quote the grounds urged at the trial for the objection and the full substance of the evidence admitted or rejected and refer to the page number in the printed or typewritten transcript where the same may be found. ..."

See:

<u>Martin</u> v. <u>United States</u>, 335 F. 2d 945 (9 Cir. 1964); <u>Freeman</u> v. <u>United States</u>, 279 F. 2d 889 (9 Cir. 1960);

Everest & Jennings, Inc. v. E & J Manufacturing
Company, 263 F.2d 258 (9 Cir. 1958)



I. USE OF THE CONFESSION OF APPELLANT MENEFIELD WAS PROPER

The appellants blandly state that the rule in Escobedo v.

Illinois, 378 U.S. 478 (1964), precluded the use during the trial of the evidence obtained as a result of the admissions of appellant Menefield. The appellant substitutes conjecture for proper procedure when he surmises that the appellant (Menefield) might not have spoken, etc. (Page 18 of Appellant's Brief).

In opposition to such position by the appellant the Government respectfully submits as follows:

1. The appellant Menefield is a person with an admitted history showing involvement with shoplifters dating back to 1942 [R. T. 99]. Such an individual is obviously fully familiar with police procedures and cannot rely, naively, upon an unproven error in procedure.

People v. Dorado, 42 Cal. Rptr. 169 (1964) (dissenting opinion)

2. Failure by counsel to object to the introduction and use of appellant Menefield's admissions-confessions acts as a waiver of such objection. The admission into evidence of such incriminatory statements is not per se "plain error" under Rule 52(b), Federal Rules of Criminal Procedure.

Jackson v. United States, 337 F. 2d 136 (D. C. Cir. 1964);

Moon v. United States, 137 F. 2d 544 (D. C. Cir.



1962);

<u>Timmons</u> v. <u>Peyton</u>, 240 F. Supp. 749 (E. D. Va. 1965):

<u>United States</u> v. <u>Rundle</u>, 241 F. Supp. 11 (E. D. Pa. 1965).

Another way of stating the same principle is that the defendant has the burden of providing the trial court with the opportunity of evaluating and considering, at first hand, any question which might be raised as to the voluntariness of the admission.

Ramirez v. United States, 294 F.2d 277, 282

(9 Cir. 1961);

Cellino v. United States, 276 F.2d 941 (9 Cir. 1940);

Fiano v. United States, 217 F. 883 (9 Cir. 1959).

II. THE ARREST WAS VALID; THE SEARCH WAS PROPER

Appellant in his argument (page 19 of Appellant's Opening Brief), combines an objection as to arrest with an attack upon the search resulting therefrom. Appellee herein submits both facets of this argument are without basis.



A. The Arrest Was Valid

The lower court held a complete hearing [R. T. Vol. A], upon the issues raised by this argument and decided that there existed probable cause for the arrest, in that a reliable informant and police surveillance were together, the basis of the arrest [R. T. 103, 108-110, 112 and 104-5, 116-118].

The cases universally hold that when there is probable cause, an arrest even without a warrant is valid. Basically, it is held that the facts attendant upon the arrest must be considered in their entirety and must be weighed on the scales of reasonableness and common sense.

<u>Draper v. United States</u>, 358 U.S. 307 (1959); <u>Brinegar v. United States</u>, 338 U.S. 160 (1949); <u>Carroll v. United States</u>, 267 U.S. 132 (1925); <u>Rogers v. United States</u>, 267 F. 2d 79 (9 Cir. 1959);

<u>Jones</u> v. <u>United States</u>, 326 F.2d 124 (9 Cir. 1963).

In <u>Williams</u> v. <u>United States</u>, 273 F. 2d 781 (9 Cir. 1959), wherein the procedural situation was almost on all fours with the instant appeal, in that the lower court had the opportunity of evaluating the witnesses who testified as to the facts of the arrest, this Court stated:

"On the hearing of the motion witnesses testified before the trial court. Thus the trial court had the opportunity to judge the credibility



of the witnesses and give consideration to the same in resolving the issue of 'probable cause'. We cannot say that the trial court's rulings were error."

See also Newcomb v. United States, 327 F. 2d 649 (9 Cir. 1964).

B. The Search Was Proper

A valid consent to search may be given by one who is in custody at the time of the consent.

<u>United States</u> v. <u>Mitchell</u>, 322 U.S. 65 (1944); <u>People</u> v. <u>Hickens</u>, 165 Cal. App. 2d 364 (1958); <u>People</u> v. White, 159 Cal. App. 2d 586 (1958).

Even if it is assumed that the law enforcement officers had time to secure a search warrant such fact would not vitiate an otherwise proper search of premises.

<u>United States</u> v. <u>Rabinowitz</u>, 339 U.S. 57 (1950); <u>Go-Bart</u> v. <u>United States</u>, 282 U.S. 344 (1931); <u>Carroll</u> v. <u>United States</u>, 282 U.S. 344 (1931).

Consent to a search constitutes a waiver of rights secured by the Fourth Amendment.

Amos v. United States, 225 U.S. 313 (1920).

The question of consent is one of fact and turns upon the weight of the evidence and on credibility and (as in the instant appeal), is a matter for the trial court to decide.

United States v. Bianco, 96 F. 2d 97 (2 Cir. 1938);



<u>United States v. Dornblut</u>, 261 F.2d 949 (2 Cir. 1938);

United States v. Page, 302 F. 2d 81 (9 Cir. 1962).

The extent of a search conducted pursuant to voluntary consent is limited within the bounds of actual consent. In the instant matter consent was specifically given to the searching of the garage.

<u>Karwicki</u> v. <u>United States</u>, 55 F. 2d 225 (4 Cir. 1932);

Harnig v. United States, 208 F. 2d 916 (9 Cir. 1953).

The innuendo offered by the appliant that the Government has not met the burden placed upon it by the cases of McNabb v. United States, 318 U.S. 332 (1942) and Judd v. United States, 190 F. 2d 649 (D. C. Cir. 1951), is rendered specious by the obvious distinction (on the facts), between the McNabb and Judd cases and the instant matter. In McNabb the court stated, inter alia, (on p. 346), that "The mere fact that a confession was made while in the custody of the police does not render it inadmissible, "the court suppressed the evidence based on the factual (oppressive, coercive) situation that resulted in the confession. In Judd, again, there existed (as found by the court), evidence of coercive oppressive treatment resulting in the obtaining of consent to search. In the instant matter the evidence clearly showed, and the lower court found, that the consent given by appellant was in truth and fact voluntarily granted.



CONC LUSION

For the reasons above submitted, it is respectfully requested that the appeal be denied and the judgment below sustained.

Respectfully submitted,

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CERTIFICATE

I certify that in connection with the preparation of this Brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Brief is in full compliance with those rules.

/s/ Jules D. Barnett

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IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

THE PLASTIC CONTACT LENS COMPANY, a corporation,

Defendant-Appellant,

vs.

GEORGE H. BUTTERFIELD, SR.,

Plaintiff-Appellee.

APPELLANT'S OPENING BRIEF.

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RECORD REFERENCES.

This brief includes an appendix in which certain key exhibits are wholly or partially reproduced. The pages of the appendix are numbered 1a, 2a, etc.; and citations to the appendix are in the form "DX-NN, 136a".

Citations to Volumes 1 and 2 of the Record are in the form "R. 46", and citations to the reporter's transcript of trial proceedings (Volumes 3, et seq. of the Record) are in the form "Tr. 438". Plaintiff's exhibits are designated "PX" and defendant's exhibits are designated "DX".

The complete table of exhibits called for by Rule 18(f) is in the appendix at pages 2a-4a.

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

No. 20,212

THE PLASTIC CONTACT LENS COMPANY, a corporation,

Defendant-Appellant,

vs.

GEORGE H. BUTTERFIELD, SR.,

Plaintiff-Appellee.

APPELLANT'S OPENING BRIEF.

Twelve years ago, in *Pacific Contact Laboratories* v. *Solex Laboratories*, *Inc.* (9 Cir., 1953), 209 F. 2d 529, Judges Stephens, Orr, and Pope upheld the Tuohy contactlens patent No. 2,510,438 and hailed its invention as "an idea in advance of the art to which mechanical skill of high order was applied." Now that patent comes again before this Court:

STATEMENT OF THE PLEADINGS AND JURISDICTIONAL FACTS.

The complaint in this case was filed by George H. Butterfield, Sr., of Portland, Oregon (hereinafter called "Butterfield"), against defendant The Plastic Contact Lens Company, an Illinois corporation (hereinafter called "Plastic"). While Plastic's principal place of business is in Chicago, it has an office in Portland and is licensed to do business in Oregon (R. 45). The jurisdiction and venue of the District Court were based on 28 U.S. Code, §§ 1332 and 1391 (R. 45).

The complaint (R. 1-28) set forth three alleged causes of action. In his first alleged cause of action (R. 1-6), Butterfield averred that he was the owner of United States patent No. 2,544,246 (hereinafter called "the Butterfield patent") for an improvement in corneal contact lenses; that he was engaged in the business of soliciting licensees and granting licenses under the Butterfield patent to manufacturers of contact lenses; that Plastic is the owner of United States patent No. 2,510,438 (hereinafter called "the Tuohy patent") also relating to corneal contact lenses; that by virtue of the settlement of previous litigation between the parties each party had the right to solicit licensees and grant licenses under their respective patents; and that Plastic, since such settlement, had unfairly competed with Butterfield by:

- (a) Indemnifying and offering to indemnify Plastic's licensees against actions for infringement of the Butterfield patent, thereby allegedly inducing such Plastic licensees to infringe the Butterfield patent, discouraging them from taking licenses from Butterfield, and encouraging existing licensees of Butterfield to refuse to pay royalties to Butterfield;
- (b) Filing allegedly unfounded actions against licensees and "prospective licensees" of Butterfield, alleging that Butterfield and his attorneys and licensees and prospective licensees had conspired with others to violate their contractual relations with Plastic, allegedly for the purpose of discrediting and defaming Butterfield and his attorneys and frightening away prospective licensees of Butterfield;
- (c) Under the "false guise" of simplifying royalty accountings, allegedly requiring and attempting to require "Butterfield's licensees and prospective

licensees" to pay to Plastic "unjustified royalties" on unfinished and incomplete lens articles that are not patented;

- (d) Under the guise of simplifying royalty accountings, allegedly requiring and attempting to require "Butterfield's licensees and prospective licensees" to pay to Plastic "unjustified royalties" on unpatented, unfinished, and incomplete lens articles sold to be finished into contact lenses "only under and in accordance with the Butterfield patent"; and
- (e) Allegedly attempting, by personal and telephone calls, to discourage prospective licensees of Butterfield from entering into licenses with Butterfield under the Butterfield patent.

The alleged first cause of action included a recital that Plastic's acts complained of were committed "wilfully, deliberately and in bad faith". An injunction and damages were sought.

The alleged second cause of action (R. 6-7) reasserted the substantive allegations set forth under the first alleged cause of action and claimed a right of recovery on the theory that Plastic's acts constituted actionable interference "with the contractual relations between Butterfield and his said licensees", and "deceived and misled Butterfield's said licensees and prospective licensees into the false belief that it is unnecessary for them to take licenses from Butterfield or to pay royalties to Butterfield even though they make and sell corneal contact lenses under and in accordance with the said Butterfield patent."

The alleged third cause of action (R. 7-9) reasserts the substantive allegations of the first cause of action, claims jurisdiction under the antitrust laws and 28 U.S. Code,

§§2201-2202, as well as by virtue of diversity of citizenship, asserts that unfinished, unpatented lens articles are commodities traded in interstate commerce, and alleges that Plastic does not own, control, or license any United States patent covering such unfinished lens articles. The complaint goes on to aver that Plastic may not legally indemnify or offer to indemnify any contact-lens manufacturer against liability for infringement of the Butterfield patent, and asserts that Plastic's doing so is a breach of the settlement contract by which the prior litigation between the parties was settled. As part of the alleged third cause of action, the complaint also avers that it is a breach of the settlement contract as well as a violation of the antitrust laws for Plastic, by contract or otherwise, to require any Butterfield licensee to pay to Plastic royalty upon any unpatented material or article of commerce used by said licensees in fabricating corneal contact lenses under the Butterfield patent. The complaint prays injunctive relief, damages, and award of costs and attorneys' fees.

The amended answer (R. 33) admitted the formal allegations of the complaint with respect to the identity of the parties, their respective ownerships of the Butterfield and Tuohy patents, and their being engaged in patent licensing; it denied, however, all the charges of wrong-doing asserted under each of the three causes of action.

In addition, Plastic filed a counterclaim (R. 35), alleging that Butterfield had damaged Plastic extensively by making false and misleading statements to contact-lens manufacturers as to the respective legal scopes and meanings of the Butterfield and Tuohy patents, by assisting and supporting groups of contact-lens manufacturers formed to injure Plastic by sabotaging its Tuohy patent, by representing to Plastic's licensees that the Tuohy pat-

ent is invalid and unenforceable, that Plastic's license agreements are invalid and in violation of the antitrust laws, and divers other acts of alleged misconduct directed to injuring Plastic.

Butterfield filed a reply (R. 42) to the counterclaim, denying the allegations of wrongdoing therein.

Following the trial of the cause, the District Court entered on March 1, 1965, findings of fact and conclusions of law (R. 104-153) resolving wholly in Butterfield's favor the issues arising on the complaint and answer and on the counterclaim and reply. An interlocutory judgment (R. 154) was entered on April 23, 1965, dismissing the counterclaim, ordering an accounting of damages to be recovered by Butterfield from Plastic, and permanently enjoining Plastic from:

- (a) Making any type of representation, including nondisclosure or concealment, concerning the "scope, qualities or characteristics" of the Butterfield and Tuohy patents respectively except in exact and complete accordance with the characterizations of those patents embodied in the District Court's findings of fact, such findings, so far as material, being set forth in the judgment;
- (b) Making any type of representation, including nondisclosure or concealment, concerning the settlement of the former action between the parties, except in accordance with the District Court's findings on that subject as set forth in the judgment;
- (c) Enforcing, using, or claiming a royalty base in its license agreements under the Tuohy patent by which the amount of royalty payable to Plastic is measured by or computed upon lenses or devices, finished or unfinished, other than those made under the teachings of the Tuohy patent;

- (d) Continuing to maintain in force any existing indemnity agreements, or offering to enter into any new indemnity agreements, indemnifying Plastic's licensees either partially or totally against claims for infringement of the Butterfield patent or claims for infringement arising from the use or manufacture of any device not made in accordance with the teachings of the Tuohy patent; and
- (e) Instituting, maintaining, prosecuting, or continuing actions "against licensees of Defendant or Plaintiff and others" wrongfully and without foundation charging alleged conspiracy with plaintiff or with others and the assertion of damages therefor.

Immediately upon entry of the judgment, its injunctive provisions were stayed by virtue of an order (R. 164) conditioned on the posting by Plastic of a \$50,000 bond. The bond with appropriate security was duly posted (R. 167) and the injunction is accordingly stayed pending disposition of this appeal.

This Court's jurisdiction of the present appeal arises from 28 United States Code, §1292(a)(1), which renders appealable interlocutory judgments that grant injunctions.

STATEMENT OF THE CASE.

I. The Questions Involved.

The basic questions presented by this record are pure questions of law. The first one is:

- 1. Where the claims of a contact-lens patent (Plastic's Tuohy patent No. 2,510,438), already held valid by this Court and beyond any doubt a pioneer, call for a contact lens having on its inner surface a curve of greater radius than the portion of the eye which it covers, thus providing "a small but gradually increasing clearance" between the lens and the underlying eye tissue,
 - (a) Should such patent claims be restricted in scope to the *particular lens* shown in the drawing of the patent?

Or, on the other hand,

(b) Should the scope of the patent claims embrace any lens which responds to the language of the claims and hence possesses the "gradually increasing clearance" which is the hallmark of the invention?

Beyond any doubt, the correct answer is "No" to part (a) of the stated question, and "Yes" to part (b). In other words, the claims of such a patent should be liberally construed so as to protect fully the pioneer invention that was patented. The District Court in this case, however, misconceiving the law, held the other way.

The second question presented has to do with the legal scope of the Butterfield patent No. 2,544,246. It requires consideration of these basic facts, all of which are of public record in the Butterfield patent file history:

- (i) The Butterfield patent discloses a contact lens having two or more concentric curves on its under-surface, so selected as to conform to the underlying eye curvature throughout the entire lens area; and the language of the patent claims explicitly requires such overall conformity.
- (ii) The Butterfield patent was granted on a "continuation-in-part" application. In his predecessor application, Butterfield disclosed and sought to claim a lens curved to conform to the eye surface in the central area but flared outwardly in its peripheral area to provide a gradually increasing clearance from the eye in that region. Butterfield's claims to that type of lens, however, were rejected as "unpatentable over Tuohy", were abandoned, and were replaced by the narrowly detailed claims granted in the patent.

With those facts anent the Butterfield file history in mind, the second question presented by this record is this one:

2. Can the Butterfield patent include within its legal scope a contact lens having an under-surface that diverges from the eye in the peripheral area, so as to provide in that region a gradually increasing clearance between the lens and the eye?

Beyond doubt, the correct answer to that question is "No", for a classical file wrapper estoppel confines the scope of the Butterfield patent to lenses actually conforming to the eye curvature in their peripheral areas as well as in their central areas. The District Court, however, erroneously answered this question "Yes"; and thus wrongly concluded that the Butterfield patent, rather than

the Tuohy patent, is the one that covers most modern contact lenses.

The third basic question presented on this appeal has to do with patent license agreements and the legally permissible ways in which the royalty for a patent license may be measured. The question may be stated thus:

3. Where, by the nature of a contact lens and the manner in which it is ordered, manufactured, and sold, it would be expensive, inconvenient, and burdensome to measure a patent royalty by counting the actual number of lenses made under a licensed patent, may the licenser of such a patent legally contract with a licensee for a royalty proportional in amount to the total size of the licensee's contact-lens business, calculated at so many cents per lens sold, whether patented or unpatented?

The correct answer to that question is unmistakably "Yes"; the Supreme Court so held in a directly pertinent case (Automatic Radio Mfg. Co. v. Hazeltine Research, Inc. (1950), 339 U.S. 827, 833-834). The District Court, however, without mentioning Automatic Radio, answered the question "No", and held Plastic's royalty base to be in violation of the antitrust laws.

The fourth and last basic question presented by this record is:

4. Where the licensees of a pioneer patent are persistently threatened with infringement actions and otherwise harassed by the owner of a junior patent which actually covers none or substantially none of its licensees' products, may the licensor of the pioneer patent legally contract to indemnify its licensees against liability for infringement of the junior patent?

The correct answer to that question is of course "Yes". The District Court, however, held Plastic's indemnification of its licensees to be wrongful and illegal—"wholly different" from the conventional patent indemnities that are commonplace in business practice.

Other questions, of derivative and less far-reaching character, will be alluded to in the argument. The four above set forth, however, define the basic areas in which this Court should correct the decision below.

II. The Facts Of The Case

As just noted, the basic questions presented by the record are questions of law; the facts, in the evidentiary sense, are essentially undisputed. Many of the "findings of fact" are challenged (Specification of Errors, pages 39-47, infra), but the error that permeates them, we shall show in the Argument, is mostly due to the District Court's having "interwoven" conclusions of law with statements of fact (R. 104).

Highlighting the legal nature of the issues, the record citations herein will consist, in nearly all cases, of references to public records, stipulations, or evidence offered by Butterfield. In some cases, facts are annotated by a summary of the parties' contentions, to aid the Court in pinpointing the areas of dispute.

A. The Parties And Their Respective Businesses

Butterfield is a licensed optometrist and majority stock-holder of George H. Butterfield & Son, a corporation that manufactures plastic contact lenses. Butterfield is also, as previously noted, the owner of the Butterfield patent. (R. 45; PX-45, 9a)

Plastic, also a contact lens manufacturer, is owner of the Tuohy patent by purchase from its original owner, Solex Laboratories, Inc. Plastic bought the patent after a judgment was entered holding it valid and infringed by Plastic's lenses. More on that anon. (R. 45-46).

Plastic contact lenses are prescribed by physicians or optometrists, collectively known in the industry as "fitters". Fitters normally buy the lenses they need from manufacturing laboratories, of which there are several hundred in the United States, some large, some small. (R. 46; Tr. 307-308, 324-326).

By long odds the most important facts in the case are those which concern the Tuohy and Butterfield patents, what lenses they respectively cover, and how they are licensed to lens manufacturers by their respective owners. We shall now, therefore, review those facts in considerable detail:

B. The Patents In The Case.

The Tuohy and Butterfield patents both relate to corneal contact lenses. The Tuohy patent (PX 43, 5a) is the senior of the two and will be dealt with first.

The Tuohy Patent And Its History, In The Patent Office And The Courts.

The Tuohy patent was granted on an application filed February 28, 1948, by one Kevin M. Tuohy of Los Angeles, and assigned to a California corporation called Solex Laboratories, Inc. It describes and claims contact lenses of the so-called "corneal" type—i.e., lenses proportioned in size so as to overlie only the cornea, as opposed to covering both the cornea and the adjoining area of the eye known as the "sclera". The patent describes the fitting relationship of the Tuohy lens to the underlying eye surface in these terms (6a, Col. 2, line 22):

"A further important characteristic of the improved lens resides in the fact that although it is in the nature of a concavo-convex section of transparent material largely conforming in shape and size to the cornea of a given eye, the inside or concave surface actually is slightly flatter or may be regarded as having a slightly greater radius of curvature than the cornea. In this manner the lens may actually contact the cornea near the center of the lens while the portions of the lens adjacent its margin are slightly spaced therefrom. This space affords an opportunity for the natural eye fluids to enter and relieves pressure on the cornea."*

The Patent Office granted two claims on the Tuohy invention. Claim 1 reads thus (8a):

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

After the Tuohy patent issued in June of 1950, some contact-lens manufacturers took licenses under it, and others were sued for infringement. The first infringement case to be decided was Solex Laboratories, Inc. v. Pacific Contact Laboratories, Inc., in which Judge Benjamin Harrison, of the Southern District of California, held the Tuohy patent valid and infringed. He awarded attor-

^{*} Emphasis in quotations is added throughout this brief, unless otherwise noted.

neys' fees to Solex in addition to damages, on a finding that the defendant's infringement was "both deliberate and wilful". (PX 128).

On appeal (Pacific Contact Laboratories, Inc. v. Solex Laboratories, Inc. (9 Cir., 1953), 209 F.2d 529), this Court affirmed Judge Harrison's decision as to the validity and infringement of the Tuohy patent, and upheld his award of damages plus attorneys' fees. The Tuohy invention was described by this Court in these terms (209 F.2d., at 530-531):

"Tuohy's claim of invention lay in the development of a contact lens which eliminated the need for buffer solutions and which could be worn for long periods without causing eye irritation. Tuohy accomplished this result by eliminating the scleral flanges and making a lens slightly smaller than the limbus portion of the eye, but larger than the maximum opening of the iris and by making the radius of curvature on the concave side of the lens slightly greater than the radius of curvature of the eye at the cornea upon which the lens rests, thus enabling the natural fluids to reach all portions of the eye."

Anent the stature of Tuohy's contribution, this Court said (209 F.2d., at 533):

"The district court could not well say that the development of a lens, which utilizes the limbus and capillary action to retain its position and which is so shaped as to utilize the natural fluids of the eyes to avoid irritation, is the result of mere mechanical skill. There is present, also, an idea in advance of the art to which mechanical skill of high order was applied."

This Court further wrote (209 F.2d, at 532):

"It must also be noted that the Patent Office, only after making a close examination of Tuohy's claim of invention, granted him a patent on the corneal type lens. And there is evidence that the corneal lens met with wide acceptance and success only after Tuohy put it on the market."

Following this Court's decision, Solex filed six additional infringement actions in the Southern District of California, which were consolidated and tried together before District Judge Tolin (Solex Laboratories, Inc. v. Graham et al. (S.D. Cal., 1958), 165 F. Supp. 428). One of the suits before Judge Tolin involved lenses made by Plastic (165 F. Supp., at 436). In resisting the charge of infringement against Plastic's lenses, it was argued that Plastic's lenses had "facets" (i.e., additional curves) on their concave sides, in addition to the curve that Tuohy's claims called for. This argument was rejected; Judge Tolin commented that even if the facets contributed something of value, ". . . it does not follow that a patent is avoided by adding something to the patented structure." (165 F. Supp., at 437).

Similar rulings were made respecting the contact lenses sold by the other defendants, Judge Tolin holding (165 F. Supp., at 437):

"It is a well-known principle of patent law that addition to a patented structure does not enable one who makes, uses, or sells the patented thing without license to avoid a charge of infringement."

Judge Tolin said of the stature of the Tuohy invention (165 F. Supp., at 431-432):

"Although today the Tuohy development does not seem particularly involved and now appears to be the natural way in which to construct an efficient contact lens, it is apparent from the evidence that Tuohy's simple structure was not understood or known prior to his invention. Tuohy arrived at a simple solution to a difficult problem. In doing this he went far beyond the skills of a competent workman in the art. The concept of his structure was entirely new."

Judge Tolin added (165 F. Supp., at 434):

"Not one of the cited examples of prior art teaches a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea. Despite the absence of this characteristic in each one of defendants' prior exhibits, this characteristic is the very heart of the teaching of the patent in suit. It is what eliminates an artificial buffer solution and permits free use of natural tear fluids. This was new in the contact lens art and the discovery of how to accomplish it was invention."

Notwithstanding the quoted views of this Court and Judges Harrison and Tolin as to the Tuohy patent, the District Court in the present case held the Tuohy patent to be restricted in legal scope to the specific single-curve lenses illustrated in the *drawing* of the patent. The District Court held (Finding 7(c), R. 108):

"The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius 'flatter,' or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the 'flatter type lens.'"

2. The Butterfield Patent And Its Patent Office History.

The Butterfield patent is junior in date to the Tuohy patent, Butterfield's parent application having been filed on August 1, 1949, seventeen months after the Tuohy application was filed (PX-43, 5a; DX-OO, 155a).

In appraising what the Butterfield patent covers, it is of the greatest importance to understand how the disclosures and claims of the parent Butterfield application differed from the disclosures and claims of his offspring application that matured into the patent.

The parent application described and illustrated (159a, 163a) a corneal contact lens shaped in its central area to conform to the underlying eye surface but ground in its outer zone with a greater radius of curvature than the underlying eye surface. This, as may be seen from Butterfield's parent-case drawing (163a), provided a gradually increasing clearance between the lens and the eye surface, outwardly from the center of the lens. This clearance zone, the original Butterfield application taught, was desirable because it afforded a space for "tear fluids", and the claims filed with the specification specifically required such a zone. For example, Butterfield's claim 4 in the parent application read thus (DX-OO, 161a).

"4. A corneal contact lens covering only the cornea portion of the natural eye and relieved within its inner side to form a capillary space extending around the entire lens."

Butterfield's claims originally submitted in his parent application were rejected by the Patent Office as "obviously fully met" by the prior art (DX-OO, 164a). They were cancelled and replaced (168a, 172a) by six new claims likewise calling for a clearance zone in the peripheral region of the lens. Those were rejected (174a-175a) "as

unpatentable over Tuohy", and the Butterfield parent application was thereupon abandoned.

The parent Butterfield application was replaced by a continuation-in-part application, which matured into the Butterfield patent. In that continuation application (DX-NN, 130a), there was no teaching of peripheral recessing or any gradually increasing clearance zone near the edge of the lens. On the contrary, the offspring application showed and described a lens with a concave under surface parallel to the eye curvature throughout the whole lens area (9a, 140a, 136a).

The new Butterfield application (DX-NN, 137a-138a) was filed with claims addressed (a) to a lens having an inner curvature of generally paraboloidal shape (Application claims 1-5) or (b) to a lens having a spherical curvature in the central portion and a curvature of gradually increasing radius in the peripheral regions (Application claims 6-9). Those claims were all rejected as unpatentable over the prior art (DX-NN, 141a); were cancelled by Butterfield (143a), and replaced by the three claims ultimately granted (143a-144a). The broadest of those was patent claim 1 (PX-45, 11a; DX-NN, 143a):

"1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea."

All the claims of the Butterfield patent are limited, like the quoted claim 1, to lenses in which the "central spherical area" conforms "to the corresponding area of the cornea" and "the remainder of said inner surface" of the lens is "formed on a curve corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied".

Plastic contends that the Patent Office history just recounted, marked as it was by abandonment of broad claims and retreat to progressively narrower ones, after repeated rejections on prior art, restricts the legal scope of the Butterfield patent to contact lenses that truly respond to the language of his claims-i.e., are shaped to conform to the underlying eye surface in the peripheral portions of the lens and in the central portion as well. Butterfield, seemingly shrugging off the file history of his patent, contends that it embraces within its legal scope any lens "that has a central optical area which conforms to the curvature of the cornea and has a secondary curvature surrounding it which is different than the one in the middle," whether or not there be conformity to eye curvature in the peripheral region. (Tr. 417, and see also Tr. 407).

The District Court adopted Butterfield's views as to the legal scope of his patent (Findings 7(b) and 8, R. 107-108), without, however, attempting to explain how Butterfield's broad interpretation of his patent could be reconciled with its file history.

3. The Curvature Of The Contact Lenses Being Marketed Today

Present-day lenses are usually bi-curved; that is, the concave side of the lens is ground with one degree of curvature in the central or optical area of the lens and with

another, flatter degree of curvature in the spherical area. The average curvature of the central area of the patient's cornea is measured by fitters with an instrument called a Keratometer, the curvature reading thus obtained being colloquially known as "K". Some fitters, the record shows, prescribe the central curvature of their lenses to be "on K", while others fit their lenses "flatter than K"—i.e., with a central radius of curvature greater than the average radius of curvature of the central part of the patient's cornea. (Tr. 414, 470, 621-625, 643; PX-88B).

Even when a lens is fitted "on K", the lens curvature in the central region is often "flatter"—i.e., is ground to a longer radius—than the apex of the patient's cornea, because the corneal apex frequently has a steeper curvature than the value indicated by the Keratometer (Tr. 623-625).

While some fitters, at least, try to make their lenses conform to the corneal curvature in the *central* area, the evidence of both parties is that the fitting of the *peripheral* curves is almost universally "flatter" than the corneal surface, thus providing a gradually increasing clearance between the lens surface and the eye in the outer regions of the lens. To-wit:

(a) This was attested by Plastic's witness Dr. Don West, an optometrist associated with Pacific University (Tr. 646-648), who explained that such a clearance is necessary to insure exchange of lachrymal fluid beneath the lens. Dr. West explained that the reservoir of tears must be thicker near the edge of the lens than in the central region, because a lens having an equal depth of tears from edge to edge would not be "vented" and hence would be tight and uncomfortable to wear (Tr. 654-656).

- (b) Butterfield's witness Dr. Jerome Conlogue, while stating that he tried to fit lenses to conform throughout their area (Tr. 314-315, 332), acknowledged that he obtained such over-all conformity with no more than ten percent of his patients. The lenses fitted to the other ninety percent of his patients, Dr. Conlogue stated, did not conform to the eye curvature throughout the lens area (Tr. 333).
- (c) Another Butterfield witness, contact-lens manufacturer James A. Satterlee, after testifying that he normally ground what he called "conforming type lenses", acknowledged that the conformity was only in the central region of the lens. This was his testimony (Tr. 469):
 - "Q Now, with respect to the testimony you gave that your practice is to make a conforming type lens, did you understand this to refer to conforming in respect to the optical area, or did you mean to include also conforming in respect to the marginal area of the lens?
 - "A. No, this is conforming as to the optical area of the lens."
- (d) In Plaintiff's Exhibit 104-H, p. 22, an exhibit offered by Butterfield to illustrate contemporary fitting practice (Tr. 368-369), the fitting relationship between a contact lens and the cornea is described in these terms:

"The clearance between the lens and the cornea is equidistant from the periphery of the primary curve of the lens to its apex. The secondary curve diverges away from the curve of the cornea. The width of the secondary curve varies, depending upon the amount of movement

required, forming a slight funnel shaped clearance that will allow the tears to flow under the lens."

(e) Similarly, Plaintiff's Exhibit 104-E says this of the peripheral curve:

"The purpose of the peripheral curve is to provide for a free lacrimal flow. It permits the lens to hold position without tight symptoms developing. We can refer to the peripheral flattening of the lens as providing a lens with a *vented circumference* which is a pre-determined value and used as a definite part of the lens fitting."

As the Court will realize, the actual clearance involved in fitting contact lenses is very small. Fortunately, science has provided a simple testing technique, known as the fluorescein test, by which the existence and relative sizes of such small clearances between the eye and an overlying lens can be accurately determined. Fluorescein (misspelled "fluorscene" in the transcript) is a dye, harmless to the eye, that glows with a yellowish-green hue when illuminated by ultraviolet light—so-called "black light". (Tr. 300-301, 651-652, 330-332).

In fitting a contact lens, a fitter can determine where and to what degree the lens clears the eye surface by dissolving fluorescein in the patient's lachrymal fluid (tears) and then examining the patient's eye under black light. Where the lens touches, the eye will appear dead black under the fluorescein test. Where there is a thin tear layer—i.e., a small degree of clearance—a faint glow will appear. The greater is the clearance between the lens and the eye, the more brilliant will be the fluorescent glow, as

the thickness of the tear layer increases. (Tr. 300-301, 330-333, Tr. 650-654)

That contact lenses are normally fitted with peripheral curves divergent from the underlying eye surface is brought out forcefully in parts of Plaintiff's Exhibit 104 which describe how a well-fitted lens should appear in the fluorescein test. Thus:

- (a) In Plaintiff's Exhibit 104-J, it is stated that the fluorescein pattern should show "A band of green, preferably not too dark in color, surrounding the lens and indicating peripheral clearance."
- (b) In Plaintiff's Exhibit 104-E, the fluorescein indication of a properly fitted lens is described in this language:

"The fluorescein picture of the lens fit observed using black light illumination is of tremendous significance when fitting Conforma lenses. The central pool should be a minimal clearance pool. It should be noted that even a faint dye pool will indicate apical clearance. It is not necessary for the corneal pool to be a full, deep one.

"The dye pool at the periphery should be a wide, deep green pool about 1.0mm in diameter. The fluorescein will also indicate the effectiveness of the peripheral flange diameter by showing the effective width of this area when observed."

- (c) In Plaintiff's Exhibit 104-D, page 8, the optimum lens fit is illustrated as a small dark area in the center surrounded by a ring of solid green glow, indicating increasing peripheral clearance.
- (d) In Plaintiff's Exhibit 104-DD, pages 28-32, the fluorescein appearance under the peripheral curves of

a properly fitted lens are described as "brilliant yellow-green", it being noted that the edge portion of the lens is "the brightest fluorescein area, due to the additional two flatter peripheral curves".

To sum up: Standard professional practice calls for fitting contact lenses so that their peripheral curves diverge from the underlying eye surface, to "vent" the lens and insure free circulation of lachrymal fluid beneath the lens. Dr. West so testified; and Butterfield's witnesses and exhibits confirm Dr. West's testimony. The only evidence suggesting that anyone even tries to fit lenses with overall conformity was in the testimony of Butterfield himself (Tr. 301) and in that of Butterfield's witness Dr. Conlogue (Tr. 331). Dr. Conlogue, however, attested that he achieved a conforming fit throughout the lens area on no more than ten percent of his patients (Tr. 332); and Butterfield testified that he did not always achieve a conforming fit (Tr. 390).

The basic issue in the case is highlighted by the foregoing review of the two patents in the case and the evidence as to how contact lenses are really fitted:

(a) Plastic contends that the Tuohy patent broadly protects its inventor's discovery that a successful corneal contact lens must provide "a small but gradually increasing clearance for the entry of natural eye fluids" at the periphery of the lens; and therefore covers the bulk of present day lenses, nearly all of which, the evidence shows, are ground with flattened peripheral curves to afford the clearance Tuohy taught and claimed. By the same token, Plastic insists, the Butterfield patent does not cover such lenses, by reason of its junior date, its claim language limiting the invention to lenses that con-

form to the eye surface throughout the lens area, and the file wrapper estoppel that prevents its being construed to cover lenses with peripheral clearance.

(b) Butterfield's position, on the other hand, is that the Tuohy patent covers only lenses with a single spherical curve on their inner faces (as opposed to two or more concentric curves); and that the Butterfield patent broadly monopolizes all bicurved and multi-curved lenses that approximately conform to the eye surface in their central areas, even though they may be consciously ground to diverge from the eye surface in their peripheral areas.

C. The Licensing Programs, Past And Present, Of The Parties.

1. Licensing Under The Tuohy Patent

While the Tuohy patent was still in the hands of its original owner, Solex Laboratories, Inc., about fifty contact-lens manufacturers took out licenses under it. Illustrative of those is the license reproduced in the appendix (PX-46, 12a-17a), by which the licensee agreed to pay a royalty of \$3.50 per pair on all finished lenses covered by the Tuohy patent and to pay royalties on a sliding scale downward from \$2.00 on unfinished lenses covered by the patent or which would contributorily infringe it.

After Plastic acquired the Tuohy patent from Solex, it continued an active licensing program, substituting for the \$3.50 royalty, however, a new royalty scaled downward from \$1.00 per pair but measured by the li-

censee's entire sales of contact lenses, whether patented or not. A typical license of this new type is reproduced in the appendix (PX-46, 18a-26a).

At present, all or substantially all of Plastic's license agreements (of which there are about 135 outstanding) are of the form above described (R. 46).

Plastic's royalty-paying licensees include substantial companies such as Bausch & Lomb, Inc., and a large number of smaller manufacturers (PX-109).

The District Court held, as a "fact", that Plastic's current license agreements, properly construed, call for royalty payment only on lenses actually covered by the Tuohy patent (Finding 27(f), R. 120-121) and further found as a "fact" that Plastic was violating the antitrust laws by collecting royalties under such agreements measured by the licensees' entire sales of contact lenses (Findings 27(g)-27(k), R. 121-123, and Finding 57, R. 143-144).

2. Licensing Under The Butterfield Patent

For several years past, Butterfield has maintained an active licensing program under the Butterfield patent and, in soliciting licenses, has called personally on many contact-lens manufacturers throughout the country. At present, approximately thirty-five active manufacturers of plastic contact lenses hold licenses under the Butterfield patent, about twenty of which also have licenses under the Tuohy patent (R. 47; DX-C, Answer to Interrogatory XIV, 122a).

Plastic is a licensee under the Butterfield patent, its license having been acquired in May, 1960, for a lump-sum consideration of about \$50,000. George H. Butter-

field & Son is a licensee under the Tuohy patent, such license having been granted in April, 1962, as part of a litigation settlement. (R. 47).

The various Butterfield licenses vary greatly one from another, but fall into distinct groups according to their royalty terms and related provisions. Copies of all the Butterfield licenses are in the record as Plaintiff's Exhibits 84 and 117. Examples of the various types are printed in the appendix (36a-51a, 96a-112a).

By one Butterfield contract, he granted to James C. Dippery and Jack R. Case, of Houston, Texas, an exclusive license under the Butterfield patent in certain southern states, with the right to grant sub-licenses (PX-84F, 36a).

Butterfield agreed to pay Dippery and Case one-third of all royalty revenue derived from the geographical area covered by the agreement (37a), and Dippery and Case promised not to grant sub-licenses except in accordance with one or the other of two form agreements (38a). One of those form agreements (the "paid up license form") called for a lump-sum royalty, to be calculated in this manner (38a-39a):

"Add the total sales of proposed licensee, reasonably verified from business records exhibited, of manufactured contact lenses, in the year immediately preceding the intended commencement date of the license agreement. Divide this total of single lenses by 12 to arrive at an average monthly figure of sales of single lenses. This figure as to average monthly sales of single lenses shall then be mutiplied by 50 cents per lens. The result so obtained is the monthly payments measured by the then unexpired portion of

the life of the Canadian patent, disregarding fractions of less than one-half month. The Canadian patent expires November 11, 1969."

The noteworthy things about that formula are:

- (a) Butterfield measured the royalty to be paid by applying a rate of 50¢ per lens to the licensee's "total sales . . . of manufactured contact lenses" (not the licensee's sales of lenses covered by the Butterfield patent); and
- (b) The licensee's obligation to pay royalty continued not until the expiration of the Butterfield U.S. patent on March 6, 1968, but until November 11, 1969, more than a year later, when the Canadian patent would expire. (These were not to be Canadian sales; the Dippery-Case agreement covered only certain states in the U.S.A.)

Numerous license agreements recently entered into by Butterfield have been of the paid-up type, in which the licensee has contracted to pay a lump-sum royalty at the rate of so many dollars a month until paid in full (e.g. 109a). In those agreements, the lump royalty has been calculated (DX-Q, 127a-128a) by multiplying the number of months remaining in the term of the Butterfield patent by the licensee's average monthly production of contact lenses (not just lenses covered by the Butterfield patent). The resultant lens total is then converted to dollars of royalty by applying a rate of 75¢ per pair (R. 284). The paid-up licensees were given this lower rate instead of the "regular" royalty of one dollar per pair because "of simplifying their bookkeeping, simplifying my bookkeeping, simplifying

the fact that I wouldn't have to send traveling auditors around, which costs money to audit their books." (Tr. 421-422; also see DX-Q, 127a).

The royalty calculation in each paid-up license agreement included payments on so-called "unfinished" lenses as well as on those that were "finished"; the same is true of Butterfield's agreements calling for royalty payments on a lens-by-lens basis. In fact, Butterfield has never made any distinction, in any of his different types of licenses, between unfinished and finished lenses, as far as royalty is concerned. (Tr. 437-438).

Another type of Butterfield license required payment of royalty on a lens-by-lens basis, but called for royalty on all bi-curved lenses, without regard to whether such lenses conformed to the eye throughout their area as called for by the Butterfield patent claims. An example of such a license is the one with Crown Contact Lens Corporation (PX-117, 102a-106a), which required royalty payments of 50¢ for each "licensed unit" sold by the licensee "either in finished or semi-finished form" (103a). The term "licensed unit", in turn, was defined thus (103a):

"2. Licensed Unit:

"Without purporting or intending either to enlarge or to restrict the claims of the patent herein licensed, and solely for the purpose of simplifying and facilitating the transactions of the parties hereunder, a 'licensed unit' is hereby defined as a concave-convex corneal contact lens which has

(a) a central area having an inner spherical surface and

(b) a marginal portion, encompassing the said central area, having an inner surface formed on a curve different from that of the inner surface of the central spherical area,

the said lens being adapted to provide throughout its entire inner surface uninterrupted clearance between the lens and the cornea over which it is to be positioned."

The facts of interest about that definition of "licensed unit" are that it (a) omitted the requirement of the Butterfield patent claims that the central spherical area conform to the "corresponding area of the cornea" and (b) also omitted the requirement of the Butterfield claims that the curve on the marginal portion of the lens be "corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied". The "licensed units" on which royalties were payable thus included all bi-curved lenses sold by the licensee, whether covered by the licensed patent or not.

In soliciting licensees under his patent, Butterfield has made many personal calls on lens manufacturers, and both individually and through his attorneys has represented that his patent covers bi-curved lenses that conform to the corneal surface in the central area, without mentioning that to be under the patent a lens must *also* conform to the corneal curvature in the peripheral areas. (Tr. 407-408, 410-411, 416-417; also see PX-143E, 119a; and see Tr. 411-413).

In one instance of record, after Butterfield's counsel had written a threatening letter and represented the scope of the Butterfield patent to be broader than the language of its claims (PX-143G, 116a), the alleged infringer's

attorneys pressed for a firm commitment on the patent's coverage, asking (PX-143D, 119a):

"Is it your contention that the use of a bi-curved or multi-curved lens automatically infringes upon the Butterfield patent?"

Butterfield's counsel did not answer directly, responding in these words (PX-143C, 120a-121a):

"You apparently misunderstood our letter of August 7th because we did not say that your client had infringed the Butterfield patent. In fact, we did not have sufficient information to form an opinion as to whether an infringement had actually occurred or was contemplated. . . . We would prefer not to express our own views as to the scope of the Butterfield patent because, as you of course know, in the final analysis that is something which only the courts can determine."

While the District Court held that Plastic violated the antitrust law by using a royalty base not restricted to lenses covered by the licensed patent, it absolved Butterfield's licensing activities from any such taint (Finding 57, R. 143-145).*

D. The Prior Litigation Between The Parties And How It Was Settled.

At the time Plastic acquired the assets and liabilities of Solex, it inherited an already-pending action originally brought by Solex against George H. Butterfield & Son,

[•] Plastic does not contend that Butterfield's licenses were illegal. It does say, however, that the District Court should have treated Butterfield's use of royalty bases broader than his patent coverage as proof that such royalty bases are reasonable and proper in the contact-lens industry, because of the complexity and expense of individual lens-by-lens royalty accounting.

charging that company with infringing the Tuohy patent. A counterclaim had been filed, on behalf of the company and Butterfield personally, charging Solex with infringing the Butterfield patent (R. 46-47, PX 1-3, DX-A and KK).

That action was settled in April, 1962, by the entry of a Consent Judgment, a Stipulation of Facts and Matters, and a Stipulation for Dismissal of Counterclaims and Pending Motions. The terms of settlement did not deal with the legal scope of either the Tuohy or Butterfield patents. The consent judgment did include recitations that both patents were valid and that Solex (not Plastic) had infringed the Butterfield patent (PX 1-3; DX-A).

In addition to granting a license under the Tuohy patent to George H. Butterfield & Son as part of the litigation settlement, Plastic, in the same transaction, granted to Butterfield the right to confer sub-licenses under the Tuohy patent on four of Butterfield's early licensees, namely, Titmus Optical Company, Sloan Optical Company, Rogers Brothers, and Utah Optical Supply Company. Butterfield sought those Tuohy sub-licensing privileges because he had explicitly indemnified Titmus against infringement liability and, as to the other three, felt he "owed them something" and had a "moral obligation" to protect them from liability for infringement of the Tuohy patent. (PX-3; PX-117, 100a; Tr. 432-437).

E. Butterfield's Asserted Grounds Of Complaint Against Plastic.

The gist of Butterfield's complaint is that Plastic, after the settlement of the prior litigation in April of 1962, did various acts alleged to constitute actionable interference with Butterfield's soliciting and procurement of licenses under the Butterfield patent. Those acts fall under four headings, as follows:

1. Plastic's Licensee Bulletin Of October 25, 1962.

After the settlement agreement, some of Plastic's licensees asked whether any rights had accrued to them, under the most-favored clauses of their licenses, by virtue of Plastic's grant of a Tuohy-patent license to Butterfield. After obtaining an opinion on the point from counsel (52a), Plastic issued a licensee bulletin on October 25, 1962, in which certain terms of the settlement agreement with Butterfield were noted and the licensees were advised that the settlement did not in counsel's opinion affect the rights of Plastic's licensees under their most-favored clauses. (PX-53, 27a).

Butterfield contended, and the District Court found (Findings 46-47, R. 129-132), that Plastic's October 25, 1962, licensee bulletin actionably interfered with Butterfield's interests because it did not set forth in full all the terms of the Butterfield-Plastic litigation settlement.

Plastic contends (a) it has never had a duty to act as Butterfield's spokesman, (b) nothing in the bulletin was untrue, and (c) Butterfield could and should have issued his own bulletin if he wished to publicize additional facts regarding the settlement.

Plastic's Offer To Indemnify Its Licensees Against Infringement Liability Under The Butterfield Patent.

As already noted, Butterfield, in his solicitation of lens manufacturers, repeatedly represented his patent to have a legal scope embracing bi-curved and multi-curved lenses fitted to conform in the central area, without mentioning that the patent covered only lenses which also conformed to the corneal surface in the peripheral areas. This campaign produced unrest among Plastic's licensees and resulted in letters to Plastic of which Defendant's Exhibit

DD (128a-129a) is illustrative. In an effort to offset the disquieting effect of what it considered misrepresentations by Butterfield, Plastic, on December 10, 1962, offered to its licensees in good standing an indemnity agreement (29a-33a) indemnifying them to the extent of any attorneys' fees and court costs they might incur in the defense of an action for infringement of the Butterfield patent, plus 85% of any damages assessed therein.

The indemnity agreement (32a) explicitly provided that the obligation "shall extend only to claims, suits, or actions for infringement" and would "not apply to any contractual claims or disputes between Licensee and Butterfield."

Less than one-third (about 40 out of 135) of Plastic's licensees accepted the indemnity agreement (R. 132-133).

Between May, 1962, when the previous litigation was settled, and December, 1962, when Plastic made its indemnity offer to its licensees, Butterfield solicited twenty-six lens manufacturers and secured eleven new licensees. Between the first of December, 1962, and the date of trial, Butterfield solicited twenty-five lens manufacturers and secured an additional eleven new licensees (PX-73, 34a-35a; DX-C, 122a-126a).*

Butterfield's royalty collections went up rather than down after Plastic issued its indemnity offer. In the last seven months of 1962, Butterfield received royalties at an average rate of \$1,703 per month. During the year 1963, after the indemnity offer, Butterfield's royalty collections averaged \$2,872 per month. (PX-118, 113a).

^{*}Butterfield testified (Tr. 165) that he secured twelve new licensees in the earlier period, but his own list (PX-73, 34a-35a) shows only eleven.

In the first four months of 1964, Butterfield collected royalties at an average rate of \$2,818 per month—essentially the same as in 1963—even though in the same period Plastic's collections from Tuohy licensees dropped off sharply from their 1963 level. (PX-118, 113a; PX-121, 115a).

The District Court held that Plastic's offer of an indemnity agreement was wrongful, done to injure Butterfield in his licensing program, "and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees." The District Court further found that "Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on Butterfield's rights under his Patent and look solely to Plastic for indemnity." (Finding 56, R. 141, 143).

Plastic challenges the above-noted finding and in the Argument will show that there is no evidence that any licensee in good standing of Plastic is making or selling lenses within the legal scope of the Butterfield patent. The quoted finding, Plastic contends, resulted from the District Court's having erroneously accepted and adopted Butterfield's own estimate of what his patent covers.

The Royalty Provisions Of Plastic's License Contracts.

Butterfield complained that Plastic had violated the antitrust laws by licensing the Tuohy patent on agreements calling for royalty measured by the licensee's total sales of contact lenses, as opposed to measuring the royalty solely on lenses covered by the Tuohy patent. Plastic defended this charge on the grounds:

- (a) That the royalty provisions in its license agreements were of a type expressly approved by Supreme Court precedent;
- (b) That the royalty base used was reasonable and warranted in this case because royalty accounting on a lens-by-lens basis would be expensive and impracticable; and
- (c) That Butterfield himself has certified the soundness of Plastic's position in this regard by using in many of his own licenses a royalty base not limited to lenses covered by his patent. (See pages 25-30, supra.)

The District Court, as already mentioned (page 30, supra), held that Plastic license agreements should be construed to require payment only on lenses actually covered by the Tuohy patent, and further held that Plastic was violating the antitrust laws by collecting royalties on the basis of the licensees' entire sales of contact lenses (Finding 27, R. 120-123; Finding 47, R. 143-144). The District Court also held (Finding 57(a), R. 143-144):

"There is no evidence whatsoever in the record justifying any claim by Plastic that convenience of accounting is a proper excuse for such a broad royalty basis. Plastic called no licensees and no one from its own administrative staff to testify as to any difficulties which might exist in this area."

Plastic contends that the following evidence of record does sustain its position that "convenience of accounting is a proper excuse for such a broad royalty base" as it uses:

(a) Butterfield's witness Dr. Conlogue testified it was impossible by mere examination of a lens or

reading of a prescription to determine whether or not the lens would conform to the curvature of the cornea for which it was prescribed (Tr. 326). Dr. Conlogue admitted that he, as a manufacturer of lenses filling prescriptions sent in by his customers, has no way of knowing in any given instance whether he is operating under one patent or another or operating under no patent at all (Tr. 326). Thus accurate lens-by-lens accounting would require that auditors secure from outside sources, and act on, information not available in the records of the licensee manufacturers.

- (b) Butterfield himself, as already stated, has granted numerous licenses in which the amount of royalty was measured by the licensee's total sales of contact lenses, as opposed to sales of lenses covered by the Butterfield patent. Butterfield explained that such royalty arrangements were desirable because of "simplifying their bookkeeping, simplifying my bookkeeping, simplifying the fact that I wouldn't have to send traveling auditors around, which costs money to audit their books." (Tr. 422, and references cited at pp. 27-28, supra).
- (c) Butterfield's witnesses and exhibits and the testimony of Plastic's witness Dr. Don West (summarized and cited at pages 18-23, supra) show that contact lenses today almost always have peripheral curves that diverge from the eye and hence provide a small but gradually increasing clearance in the marginal region of the lens. In other words, the record shows that the lenses being sold by Plastic's licensees normally do utilize the Tuohy invention and are covered by the Tuohy patent.

Plastic's Legal Actions Against Butterfield, His Attorney, and Third Parties.

Butterfield's final ground of complaint arises from Plastic's having sued a number of its defaulting licensees for royalties due, and from its having named Butterfield and his attorney Collins Mason as parties defendant in an action, now voluntarily dismissed, that charged them with conspiring to induce Plastic's licensees to break their contracts with Plastic.

The District Court held that Plastic's conspiracy charge was made without probable cause and was wrongful; it also held that Plastic's civil actions against its defaulting licensees were "wholly groundless" and "brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield." (Findings 50-51, R. 133-137; Finding 67, R. 148; Conclusion of Law VI, R. 151).

This last-mentioned finding—that Plastic's actions against its own licensees for unpaid royalties were "wholly groundless"—was apparently an offspring of the District Court's impression that Plastic's license contracts violated the antitrust laws. At all events, there is no suggestion in the record and no contention by Butterfield that the licensees Plastic sued were not in default.

On the issue whether Plastic had probable cause for charging Butterfield and his attorney Mason with conspiring to induce Plastic's licensees to violate their contracts, the following facts are relevant:

(a) In the latter part of 1962, Butterfield's lawyer Collins Mason entered his appearance as additional counsel for the defendant in an action brought by Plastic against Con-Cise Lens Co., a defaulting licensee of very limited financial resources (PX-146,

- p. 10; Tr. 428, 515). During the same period, Mason also appeared as counsel against Plastic in an action brought by Plastic in Chicago, Illinois, against Midwest Scientific Co. to restrain infringement of the Tuohy patent (Tr. 485-487).
- (b) In January, 1963, some of Plastic's defaulting licensees that had been sued for unpaid royalties began soliciting contributions to finance their litigation against Plastic; in one letter requesting such contributions, Mason was designated by name as the lawyer to be hired and paid with the money being sought (Tr. 530-535, esp. 534). In another instance the party soliciting contributions to its litigation war chest was Con-Cise Lens Co., represented by Mason (Tr. 517-521).
- (c) Throughout 1963 and substantially down to the date of trial, Butterfield's lawyers cooperated actively with attorneys conducting litigation against Plastic in New York, Texas, Chicago, and elsewhere. This activity has included exchange of pleadings and deposition transcripts (PX-59, 85, 86, 144; Tr. 540-542). As recently as November, 1963, Collins Mason even tendered unsolicited advice to a Chicago lawyer, questioning the legality of the already-executed settlement between Plastic and Midwest Scientific Co. (DX JJ-1, 176a, Tr. 548-551).

After the trial, Plastic acknowledged (R. 277) that its conspiracy charges against Butterfield were unproved and voluntarily withdrew them, because there is no evidence that Butterfield took part in or contributed to the collateral activities of his attorney Mason directed against Plastic and the Tuohy patent. Plastic does, however, contend that its action was not brought without probable cause.

SPECIFICATION OF ERRORS

The key errors underlying the District Court's decision were errors of law, four in number, to-wit:

- 1. Instead of giving the Tuohy patent the liberal interpretation which its early date, the stature of its invention, and the language of its claims entitled it to, the District Court restricted the scope of the Tuohy patent to the precise type of lens illustrated in its drawing, disregarding the broader inventive concept plainly taught in the specification and defined in the patent's claims.
- 2. In contrast to the over-narrow interpretation given the pioneer Tuohy patent, the District Court interpreted the Butterfield patent far more broadly than warranted by the language of its claims or the scope of its contribution to the art. The District Court's interpretation of the Butterfield patent, if upheld by this Court, would give Butterfield a broad area of monopoly he *irrevocably disclaimed* by abandoning claims rejected as "unpatentable over Tuohy".
- 3. The District Court erroneously held that Plastic had violated the antitrust laws by charging royalties under the Tuohy patent measured by the licensee's total sales of contact lenses, as opposed to sales of lenses covered by the licensed patent. This ruling was made despite a record proving (a) that such a royalty arrangement is a reasonable and practical means of measuring the value of a patent to a contact-lens manufacturer, (b) that measuring royalty by counting the lenses made under a particular patent is, in the contact-lens industry, an expensive, burdensome accounting task, (c) that Butterfield admitted those facts by himself collecting royalties measured in amount by the licensee's total sales of lenses, regardless of patent coverage.

4. The District Court erroneously held that Plastic violated the law by agreeing to indemnify its Tuohy patent licensees against liability for infringement of the Butterfield patent. This error flowed directly from the District Court's mistaken interpretations of the Tuohy and Butterfield patents which led to the belief that the bulk of present-day lenses are covered by the Butterfield patent and few, if any, are covered by Tuohy. The reverse is actually the case, and the record plainly so demonstrates when the patents are correctly construed.

In introducing the findings of fact and conclusions of law, the District Court stated (R. 104):

"In order to present a more meaningful result, findings of fact and conclusions of law are, in some instances, interwoven."

The findings were, in nearly all instances, "interwoven" with one or more erroneous legal conclusions, and hence such findings are erroneous, even though, in some cases, the underlying evidentiary facts were correctly stated. Specifically:

- 5. The District Court erred in holding (Finding 7(b), R. 107-108) that the Butterfield patent includes within its scope any corneal contact lens having at least two concentric curves of different curvature on its concave surface. Correctly construed, the Butterfield patent covers such a lens only when all the curves on the concave surface conform to the underlying eye curvature, so that the lens as a whole conforms to the eye in the marginal area as well as the central area.
- 6. The District Court erred in holding (Finding 7(c), R. 108) that the scope of the Tuohy patent is

limited to lenses whose concave surface "is defined by a *single* spherical curve", of a radius longer than that of the underlying eye curvature. In so holding, the District Court misunderstood the meaning of the Tuohy patent claims, which are not limited to lenses having only a *single* curve on their concave sides. Correctly construed, the Tuohy claims cover all lenses having "a" curve providing "gradually increasing clearance" between the eye and the outer part of the lens, whether such curve is single or one of a plurality of curves.

- 7. The District Court erred (Finding 8, R. 108) in holding that a substantial volume of the contemporary trade in contact lenses consists of lenses covered by the Butterfield patent. There is no evidence that that is so, and the record proves the contrary.
- 8. The District Court erred (Finding 12, R. 109-110) in holding the Tuohy patent limited by file wrapper estopped and in holding Plastic estopped from proving the true legal scope of the Butterfield patent; it also erred in finding "no justification for Plastic's position, asserted on oral argument, that the Tuohy Patent is broad in scope, but that the Butterfield Patent is narrow, and of only very limited utility or use."
- 9. The District Court erred (Finding 23, R. 116) in holding that the papers filed in settlement of the previous litigation between Plastic and Butterfield "are of significance in considering the contentions of the parties with respect to the scope of the Butterfield patent as related to the Tuohy patent." There was no determination in the previous litigation, either by adjudication or consent, as to the legal scope of either the Tuohy patent or the Butterfield patent. It

was agreed that as between the parties both patents are valid, but nothing was said or agreed to as to their scope.

- 10. The District Court erred (Finding 27(f), R. 120-121) in holding that the word "devices", as used in the royalty clauses of Plastic's current license agreements, is limited to lenses covered by the Tuohy patent. The District Court should have ruled in this connection (a) that "devices", as used in Plastic's current license agreements, embraces all contact lenses sold by the licensee during the term of the license, and (b) that Plastic's current license agreements, as thus construed, are legal, valid, and proper, under the rule of Automatic Radio Mfg. Co. v. Hazeltine Research, Inc. (1950), 339 U.S. 827, 833-834.
- 11. The District Court erred (Findings 27(g), 27(h), 27(i), 27(j), and 27(k), R. 121-123) in holding that Plastic's current license agreements are illegal, invalid, and in violation of the antitrust laws. (While designated findings of fact, these errors are legal in nature.) This same error appears in and taints Findings 29, 30, 39, and 57 (R. 125-127, 143-144).
- 12. The District Court erred (Finding 41, R. 128) in holding that Butterfield had or has a property right in a "potential market" consisting of the "licensees of Plastic", there being no evidence that Plastic's licensees are selling any substantial number of lenses falling within the true legal scope of the Butterfield patent. This erroneous finding, like Findings 42, 44, 45, and others, stemmed from the District Court's acceptance of Butterfield's theory that his patent covers any multi-curved corneal contact lens, whether or not it conforms to the underlying eye surface throughout its area.

- 13. The District Court erred in holding (Findings 43, 44, and 45, R. 128-129) that substantial numbers of manufacturers were making lenses within the scope of the Butterfield patent, and that "there was a substantial demand in the manufacturing and fitting trade" for lenses within the legal scope of the Butterfield patent. These erroneous findings also stem from the District Court's over-broad construction of the Butterfield patent.
- 14. The District Court erred (Findings 46 and 47, R. 129-132) in holding that Plastic was under a duty (apparently, in the District Court's view, a fiduciary obligation) to act as Butterfield's spokesman in communications to the trade. Nothing in the relationship between Plastic and Butterfield created any such obligation on Plastic's part.
- 15. The District Court erred (Findings 48, 49, 55, 56, 59, and 65, R. 132-133, 140-143, 146-148) in holding illegal, unjustified, and insincere the offer from Plastic to its licensees to indemnify them in the event they should be sued for infringement of the Butterfield patent. The District Court further erred in holding Plastic estopped to carry out its indemnity agreements (Finding 56(d), R. 143). Plastic's being a licensee of the Butterfield patent does estop it as a matter of law from challenging the validity of the Butterfield patent, but leaves it free to show that the patent has not been infringed. The District Court should have held that Plastic's offer of indemnity to its licensees was a legitimate, good-faith business transaction, justified as a defense measure against unwarranted harassment by Butterfield of Plastic's licensees.

- 16. The District Court erred (Findings 50 and 51, R. 133-137) in holding that Plastic's actions against its licensees for recovery of unpaid royalties were groundless. The royalties sought by these actions were owing to Plastic, under legal, enforceable license contracts with the respective defaulting defendants.
- 17. The District Court erred (Findings 51, 52, 68, R. 134-139, 149) in holding that Plastic had no probable cause or reasonable justification for charging Butterfield and his counsel Mason with conspiring with divers defaulting licensees of Plastic to destroy Plastic's licensing program under the Tuohy patent. Those conspiracy charges failed of proof only because it appeared that Mason's activities against Plastic and the Tuohy patent were independent acts not authorized or paid for by Mason's client Butterfield.
- 18. The District Court erred (Finding 53, R. 139) in holding that Plastic has asserted an unduly wide scope for the Tuohy patent. Plastic has asserted for the Tuohy patent only that scope it legally has, as a pioneer patent already adjudged valid by this Court. In the same finding, the District Court erred in holding that Plastic had "improperly asserted . . . that the Butterfield patent is inoperative, highly restricted in scope and lacks utility." There is no evidence that Plastic has ever asserted that the Butterfield patent is inoperative or wholly lacking in utility. The Butterfield patent is in truth highly restricted in scope, by virtue of its late date, its narrow claim language, and the file wrapper estoppel in its Patent Office history.
- 19. The District Court's Finding 57 (R. 143-145) is clearly erroneous. The evidence shows that convenience of accounting is a compelling reason, in the contact-lens industry, for the type of royalty clause

in Plastic's license agreements. Finding 57(b) (R. 144) is not a fact finding, but an erroneous legal conclusion asserting, in contravention of controlling authority, that Plastic's royalty provisions are illegal. Finding 57(c) and all its sub-divisions (R. 144-145) constitute clearly erroneous statements regarding Butterfield's own licensing practices. The incontrovertible proof is that Butterfield himself, for reasons of accounting convenience, has for years collected royalties based on and measured by the licensee's entire business in contact lenses, patented and unpatented—i.e., the sort of royalty arrangement which the District Court held to be illegal when embodied in Plastic's contracts.

- 20. The District Court erred (Finding 58, R. 146) in holding that acts of Plastic have resulted in causing Butterfield licensees to stop paying royalties to Butterfield. There is no evidence that that is so.
- 21. Finding 59 (R. 146-147) is actually a legal conclusion and is clearly erroneous. The District Court should have held that Plastic's acts did not violate any law or invade any right of Butterfield.
- 22. The District Court erred (Finding 60, R. 147) in holding (a) that Plastic had been guilty of wrongful conduct, (b) that Butterfield had suffered actionable damage as the result of Plastic's conduct, and (c) that he would suffer substantial and irreparable actionable damage in the future unless Plastic were restrained by appropriate injunction. In the same finding, the District Court erred in implying that Butterfield is entitled to recover attorneys' fees from Plastic in any amount.

- 23. The District Court erred (Finding 61, R. 147) in holding that Butterfield justifiably proceeded against Plastic rather than suing manufacturers of contact lenses whom Butterfield considers to be infringers. The District Court should have held that a bona fide contested suit for infringement of the Butterfield patent was the proper and best way to resolve the dispute as to the scope and stature of the Butterfield patent.
- 24. The District Court's Finding 62 (R. 147-148) is clearly erroneous (a) in holding that substantial numbers of the corneal contact lenses currently being marketed are within the legal scope of the Butterfield patent, and (b) in holding it "untrue" that the great bulk, if not all, of the successful corneal contact lenses being marketed today are within the legal scope of the Tuohy patent.
- 25. The District Court erred (Finding 63, R. 148) in holding that the Butterfield patent has been infringed by many of Plastic's licensees. This finding is not supported by any competent evidence.
- 26. The District Court erred (Finding 64, R. 148) in holding that Butterfield has not asserted for his patent a scope far broader than it actually has, and in holding that Butterfield has not made infringement charges based on over-broad pretensions as to the scope of the Butterfield patent.
- 27. The District Court erred (Finding 65, R. 148) in holding that Plastic did not offer its indemnity agreement in December, 1962, in a sincere effort to protect its licensees who were not making lenses covered by the Butterfield patent. The District Court also erred, in the same finding, in holding that said

indemnity was offered for the purpose of preventing Plastic licensees manufacturing lenses within the coverage of the Butterfield patent from dealing with Butterfield.

- 28. Clearly erroneous is Finding 71, (R. 149) which states there is no evidence that Butterfield has ever asserted or contended for any broader scope of the Butterfield patent than is "described and claimed in and by said Patent."
- 29. By reason of the basic legal errors made by the District Court in his decision of the case, all of the legal conclusions Nos. I-X and XII-XIII inclusive (R. 149-153) are clearly erroneous.
- 30. Finally, the District Court erred in failing to enter the findings of fact and conclusions of law proposed by the defendant (R. 259-283), which accurately epitomized the evidence and applicable law.

ARGUMENT.

Summary.

Two fundamental errors of law inspired the subsidiary errors in the record and led the District Court to misjudge the equities. They were:

- 1. The District Court, failing to heed legal rules that govern the construction of patents, did not accord to the Tuohy patent a legal scope commensurate with the stature of the invention it protects.
- 2. The District Court, again in disregard of controlling rules of law, gave the Butterfield patent a broad, wholly unwarranted construction, and hence wrongly concluded that it, rather than the Tuohy patent, covers the bulk of present-day contact lenses.

Those errors, and others which sprang from them, cry out for correction. The judgment below was legally wrong and grossly unjust.

I. The Tuohy Patent Covers The Pioneer Invention On Which The Corneal Contact-Lens Industry Was Founded. The Law Requires, Therefore, That The Tuohy Patent Be Liberally Construed, To Protect Fully Tuohy's Basic Invention. The District Court Erred Grievously In Failing To Do So.

The pivotal issues in this case relate to what lenses are covered, respectively, by the Tuohy and Butterfield patents. Those issues, therefore, will be dealt with first, beginning with the Tuohy patent.

This Court, it will be recalled (pp. 13-14, supra), characterized the Tuohy invention as "an idea in advance of the art to which mechanical skill of high order was applied" (Pacific Contact Laboratories v. Solex Laboratories, Inc. (9 Cir., 1953), 209 F.2d 529, at 533). This Court also noted (209 F.2d., at 532) "that the corneal lens met with wide acceptance and success only after Tuohy put it on the market."

In Solex Laboratories, Inc. v. Graham (S.D. Cal., 1958), 165 F. Supp. 428, 434, Judge Tolin stated that "the very heart of the teaching" of the Tuohy patent is the use, on the concave side, of a radius of curvature slightly greater than that of the cornea to which the lens is applied, providing "a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea." That Judge Tolin was right is confirmed, and the vital nature of Tuohy's contribution is certified, by the fact that present-day contact lenses almost universally have such a curvature. (The evidence of both parties proves this; see pages 18-24, supra.)

In brief, present-day contact lenses do utilize the Tuohy teachings, do respond to the language of the Tuohy claims, and hence are covered by the Tuohy patent. Nevertheless, the District Court somehow concluded (Finding 7(c), R. 108) the Tuohy patent is limited in scope to lenses whose concave surface "is defined by a single spherical curve", and hence does not cover any lens with more than one curve on its concave side.

This was error of law of the first magnitude. It was squarely in conflict with Judge Tolin's decision in *Solex Laboratories*, *Inc.* v. *Graham et al.* (S.D. Cal., 1958), 165 F. Supp. 428, 437, holding — correctly — that "addition [of something extra] to a patented structure does not enable one . . . to avoid a charge of infringement."

What the District Court did here was to measure the scope of the Tuohy patent by its drawing, instead of by its claims. This was clear error. Moreover, had the District Court followed correct legal principles, the Tuohy patent would have been accorded a liberal range of equivalents in recognition of its pioneer status, to the end that all lenses utilizing the principles Tuohy taught would be covered by the patent. Instead, apparently overlooking the prior decisions of this Court and Judge Tolin, the District Court wrote (Finding 12, R. 110) that it could "find no justification for Plastic's position . . . that the Tuohy Patent is broad in scope"; and Plastic was castigated (Finding 53, R. 139) for calling the Tuohy patent a pioneer.

The law by which the District Court should have judged the scope of the Tuohy patent was that stated in *Del Francia* v. *Stanthony Corp.* (9 Cir., 1960), 278 F.2d 745, 747, where this Court wrote:

"The general rules of patent claims construction are well settled. A patent is to be construed as a con-

tract, with the intent of the parties uppermost so as to give effect to their legitimate expectations. Further, since letters patent are contracts, questions of construction are questions of law for the court. . . . The claims are a measure of the monopoly granted to the inventor, . . . and they can never be broader than the invention disclosed to the public. . . . While the claims must be read in the light of the disclosure of the specifications, this does not restrict the invention to the precise structure disclosed, but rather to the real invention as found in the specifications and drawings."

The quoted passage of course states Hornbook law, exemplified by numberless other cases. An example is *Badowski* v. *United States* (Ct. Cl., 1960), 278 F.2d 934, at 936:

"It is well settled that the invention covered by a patent is defined by the language of the patent claims and not by the drawings shown in the specifications. . . . The specifications merely teach others one or more ways of practicing the invention."

Again, in Smith v. Carter Carburetor Corp. (3 Cir., 1942), 130 F.2d 555, 559, the law was stated thus:

"The claims of the patent are to be read in the light of the disclosure of the specifications, not to restrict the invention to the precise structure disclosed, but in order to grasp the principle of the invention so as to measure properly the range of equivalents."

The legal rule governing construction of pioneer patents, of which Tuohy is surely one, was stated thus in *Nelson* v. *Batson* (9 Cir., 1963), 322 F.2d 132, 135:

"Since the purpose of the doctrine of equivalents is to give the inventor an opportunity to secure a just reward for his invention — an opportunity which he would otherwise be denied because of the failure of the language of his claim to include devices which were in fact the same as his own in function, means, and result — the degree of protection afforded beyond the language of the claims will vary directly with the value of the inventor's contribution to the art. As the principle is commonly put, the inventor is entitled to a range of equivalents commensurate with the scope of his invention: broad if his invention is broad; narrow if his advance is a small one in a crowded field."

Far from following *Nelson* v. *Batson*, the District Court here did not give the Tuohy patent a scope even commensurate with its claim language.

Los Angeles Art Organ Co. v. Aeolian Co. (9 Cir., 1906), 143 Fed. 880, is a judgment of this Court splendidly illustrating what the District Court should have done here. This Court first stated the applicable law in these words (143 Fed., at 882):

"In order to determine what the rights of the appellees are, it is necessary to ascertain what their status in the art, under the Tremaine & Pain patent, is, whether they were pioneers in their invention, or mere improvers. If pioneers, they would be entitled to a broad and liberal construction, if, mere improvers, the claims would only be entitled to a narrower interpretation."

Having thus set up the standard, this Court measured against it the invention of the patent in suit and concluded (143 Fed., at 883):

"This discovery was important. Tremaine & Pain were not mere improvers upon a prior machine which was capable of accomplishing the same general result. They brought to success what prior inventors had been unable to accomplish. . . . Their invention was therefore more than a mere improvement or perfection of what had preceded it. It was of such novelty

and importance as to constitute a distinct step in the progress of the art, and the claims of their patent are therefore entitled to a broad and liberal construction."

How completely the quoted passage fits the facts of this record will not, we are sure, escape this Court's notice.

The District Court made a finding (No.12a, R. 109) that Tuohy, in the Patent Office, "surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent" and that Plastic was therefore "estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the Patent." The legal conclusion in that finding as to estoppel is clearly erroneous. Examination of the Tuohy file history (PX-113, 56a-95a) will show that the broader application claims Nos. 1 and 3-7 (65a-66a) that Tuohy cancelled were directed to corneal contact lenses as such, without specifying curvature. They were cancelled when the Examiner cited prior art showing that contact lenses covering only the cornea were old. (Never successful, however, before Tuohy. 209 F.2d, at 532.) Original claims 2 and 8, which called for "flatter curvature", were replaced by application claims 9 and 10 of equivalent scope, and they were allowed (91a), becoming claims 1 and 2 of the patent (8a).

In short, there is *nothing* in the Tuohy file history to indicate any narrowing by estoppel of Tuohy's right to broad coverage of the "gradually increasing clearance" concept which Judge Tolin (165 F. Supp., at 434) called "the very heart of the teaching" of Tuohy's patent. Moreover, so far as *this* case is concerned, the scope afforded by the Tuohy claim language is all that is needed to sustain Plastic's position. Tuohy's claim 1 reads word for word on modern bi-curved contact lenses with divergent peripheral curvature (Tr. 382-386).

Rather than emasculating the Tuohy patent as he did, by restricting its scope to the single-curve lens of its drawing, the District Court should have held, with Judge Tolin in the *Graham* case (165 F. Supp., at 437) that the Tuohy patent covers corneal lenses curved to provide a "small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea", whether or not accompanied by *extra* features, such as additional curves.

The District Court made other errors of comparable magnitude, one of which will be dealt with next. Even so, his error in misconstruing the Tuohy patent was a major error that went to the very heart of his decision. Of itself, it requires reversal of the judgment.

II. The Butterfield Patent—Junior In Date To Tuohy And At Best A Mere Improvement Patent—Is Restricted By Its Claim Language, Its Patent Office History, And The Prior Art To Lenses Truly Conforming To The Eye Curvature Throughout Their Areas. Yet The District Court Wrongly Accorded That Patent A Broad Construction, As If It—Rather Than Tuohy—Were The Pioneer In The Art.

Having held the pioneer Tuohy patent so restricted in scope as to cover nothing but the single-curve lens shown in its drawing, the District Court went all out the other way in construing the Butterfield patent.

Butterfield was no pioneer in any sense; he was a late-comer who made a narrow invention and secured for it an equally narrow patent. His parent application (rejected and abandoned) dated only from August 1, 1949, and the application from which the Butterfield patent actually matured was filed on August 1, 1950. By that late date the Tuohy patent, applied for in February, 1948, had already issued!

Butterfield, it must be said, has exploited his patent with great success, but the success has been achieved, this record shows, by aggressively misrepresenting what his patent covers. The District Court, sad to relate, accepted Butterfield's pretensions at face value. Heedless alike of Butterfield's late invention date, his Patent Office history, and the prior art, the District Court so broadly construed the Butterfield patent as to sweep within its monopoly all contact lenses approximately conforming to corneal curvature in their central zones, even though divergent therefrom in their marginal regions and hence actually covered by the Tuohy patent.

This was error:

 The District Court's Construction Of The Butterfield Patent Was Forbidden By A Classical File Wrapper Estoppel, Arising From Butterfield's Progressive Abandonment And Cancellation Of Claims Directed To The Very Lens Structure He Now Pretends To Monopolize.

A patentee may never, by resort to the doctrine of equivalents, liberal construction, or any other means, secure a judicial construction of his patent that draws within the monopoly any subject matter disclaimed in the Patent Office by abandonment, amendment, or cancellation of rejected claims. This doctrine — known as "file wrapper estoppel" — is as firmly rooted and well established as anything in patent law.

Schriber-Schroth Co. v. Cleveland Trust Co. (1940), 311 U.S. 211, 220-221

("It is a rule of patent construction consistently observed that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected, and the claims allowed cannot by construction be read to cover what was thus eliminated from the patent.")

Exhibit Supply Co. v. Ace Patents Corp. (1942), 315 U.S. 126, 136

("Whatever may be the appropriate scope and application of the doctrine of equivalents, where a claim is allowed without a restrictive amendment, it has long been settled that recourse may not be had to that doctrine to recapture claims which the patentee has surrendered by amendment.")

D & H Electric Co. v. M. Stephens Mfg., Inc. (9 Cir., 1956), 233 F.2d 879, 883-884

("Having asserted the novelty of the right angle principle in order to secure the patent, appellant cannot now expand his coverage to include other claims which were denied him in the proceedings before the patent office. This is simply the exercise of the doctrine of 'file wrapper estoppel' — the gravamen of which is that an applicant who acquiesces in the rejection of his claim, and accordingly modifies it to secure its allowance, will not subsequently be allowed to expand his claim by interpretation to include the principles originally rejected or their equivalents.")

What Butterfield disclosed in his parent application, and tried to patent therein, was simply a Tuohy lens modified by the addition, in the central area, of a second curve ground to conform to the cornea in its apex region. The Court may confirm this by reference to the lens shown in the parent application drawing (163a). The curve 18 of that lens obviously is the Tuohy curve, on a longer radius of curvature than the curvature of the underlying region of the cornea; and the curve 16 is an additional curve conforming to the corneal curvature in the central area.

The lens that Butterfield thus sought to patent by means of his parent application was essentially a modern contact lens, conforming approximately to the corneal curvature in its central area and divergent from the corneal surface in its marginal areas, thus providing Tuohy's "small but gradually increasing clearance for the entry of natural eye fluids." The Patent Office refused to grant Butterfield a patent on that type of lens, holding claims drawn to such a lens "unpatentable over Tuohy" (175a); and Butterfield, acquiescing in the rejection, abandoned the application with all its claims!

With such facts on the public record for all to see, it is plain as day that the patent Butterfield secured could not possibly, consonant with law, be construed to embrace what Butterfield, by abandoning his parent case, admitted he could not patent. Yet Plastic's argument to that end fell on deaf ears in the District Court. Butterfield's file history was not even mentioned in the findings or conclusions.

Beyond any doubt the claims of Butterfield's parent application, had they been granted to him in a patent, would have covered like a tent the bi-curved lenses with diverging peripheral curves which are in general use today. Consider, for example, claim 10 of the parent application:

"10. A corneal contact lens of generally concavoconvex shape wherein the concave surface is substantially spherical in a central portion corresponding to the area subtended by the iris during maximum dilation, the remaining portion of the concave surface being recessed, said recess being deep enough to prevent interference between the cornea and the edge of the lens and shallow enough to allow substantial capillary attraction between the surface of the recess, the lacrimal fluid, and the surface of the cornea."

(The "recess" referred to in the claim Butterfield sought but failed to get is of course the recess formed by the Tuohy curve 18 (163a), by virtue of its longer radius of curvature than that of the underlying cornea.)

The quoted claim 10, like the other claims of Butterfield's parent case, was rejected as "unpatentable over Tuohy" (175a) and abandoned! That being so, Butterfield cannot recapture a monopoly of the scope defined by abandoned claim 10 by eroding away the limitations from the narrow claims he did get. Cases like D & H Electric (9 Cir., 1956), 233 F.2d 879, hold just that, but their message went unheeded below.

The file wrapper estoppel that arose from abandonment of Butterfield's parent application was renewed in the history of the Butterfield continuation case, on which his patent issued. That continuation (DX-NN, 130a) contained a substantially different disclosure than the parent had contained; instead of a Tuohy lens supplemented by a conforming central curve, Butterfield described in the offspring case a lens having over-all conformity to the underlying eye surface—i.e., uniform clearance from the corneal surface over the entire lens area.

This is plainly shown in the drawing of the offspring case (9a, 140a), and it is brought out with equal clarity in the claims finally allowed and issued. They all define the scope of the invention as embracing a lens having "an inner central spherical area conforming to the corresponding area of the cornea" and having peripheral areas "corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied" (11a, 143a-144a).

The District Court held that "corresponding in curvature with . . . the corneal peripheral area" did not mean "conforming", in the sense of parallel or uniform spacing from the cornea, but just meant shaped so that "its marginal portion so corresponds to the marginal zone of the cornea that it provides for uninterrupted flow of tear or lachrymal fluid." (Finding 7(b), R. 107). This, unmistakably, was error. If "corresponding in curvature with . . . the corneal peripheral area" really did mean nothing more than providing for uninterrupted flow of lachrymal fluid, the phrase would read squarely on Tuohy, who taught that very thing, years before the idea occurred to Butterfield!

The requirement of over-all conformity to eye surface was not in the claims of the offspring case when it was filed. That limitation was *added* by amendment, to distinguish over prior art.

At first Butterfield tried, even in the offspring case, to cover bi-curved lenses with divergent peripheral curves. Consider, for example, claim 6 of the second application (137a):

"6. A corneal contact lens of generally concavoconvex shape wherein the concave surface has approximately the surface of a sphere in a central portion which is somewhat less in diameter than the area of the cornea subtended by the iris during maximum dilation, the radius of curvature of said concave surface increasing slightly and gradually from said spherical portion to the edge of the lens."

Note the absence of any requirement in that claim for conformity to eye curvature. If granted, that claim would surely have covered modern bi-curved lenses, with divergent peripheral curves. Here again, however, the Patent Office rejected all such claims as unpatentable over the prior art, noting (142a):

"The references all show it to be *old* to form 'corneal' contact lenses with inside peripheral curves which are flatter than those of the central area."

Butterfield responded to that rejection by cancelling the claims originally presented in the offspring application and substituting the three claims ultimately granted, all explicitly limited to conformity in both the central and peripheral areas (11a, 143a-144a). That the new claims were intended to mean just what they say was established, moreover, by Butterfield's argument (146a) accompanying the newly tendered claims, in which he stated that "applicant's lens has a posterior curvature that conforms to the curvature of the cornea".

We ask — could it have been stated more plainly? Or now repudiated more cynically?

The District Court, following Butterfield's lead (R. 192), held that "conformity" and "correspondence", as used in his claims, were meant to connote mere approximate conformity (Finding 7(b), R. 107). But that, in the homely, expressive language of Mark Twain, just "won't wash". Approximate conformity was already old. Tuohy had taught it years before, pointing out that his lens was "largely conforming in shape and size to the cornea" (6a, col. 2, line 25).

Tuohy unmistakably taught that the peripheral clearance he had found advantageous in a corneal contact lens was a *small* departure from exact conformity. He wrote (7a, col. 3, line 65):

"In other words, the lens blank may initially have an internal radius of curvature exactly conforming to the radius of curvature of the cornea but on grinding the optical correction on the interior of the lens its concave radius of curvature may be so altered thereby as to provide the clearance spaces which are of adequate size. These clearance spaces need not be great and, for example, if the radius of curvature of the cornea measures 7.8 millimeters the radius of curvature of the concave side of the lens need only be 7.9 or possibly 8.0 millimeters."

By the late date when Butterfield was interviewing examiners in frantic search for some sort of allowable claim (1951 — see 148a), there was no room left in the art for the kind of vague boundaries that the District Court, in disregard of plain English words, read into the Butterfield claims. That patent covers only lenses fitted for over-all conformity — i.e., with uniform clearance between lens and eye over the whole area.

The patent *might* be properly construed to cover a lens having minute departures from over-all conformity if they reflected random irregularities in the corneal surface, as opposed to conscious design, but it could *never* be properly construed to embrace a lens deliberately *ground* to provide divergent curvature.

Justice, common sense, and the law join in forbidding such a construction, simply because Butterfield didn't *invent* such lenses and perforce didn't *patent* them.

 Plastic Is Free To Prove The True Legal Scope Of The Butterfield Patent, Without Estoppel From Its Butterfield License Or Restraint Arising From The Prior Litigation Settlement.

In this section we shall deal with two errors that resulted from the District Court's adoption of unsound Butterfield arguments; the first involves an erroneous application, against Plastic, of the doctrine of licensee estoppel:

(a) Plastic Is Under No Licensee Estoppel With Respect To The Scope Of The Butterfield Patent.

The District Court, in Finding 12(b) (R. 109-110), found as a "fact" that Plastic, by reason of being licensed under the Butterfield patent, "is not only estopped to challenge the validity of the Butterfield Patent but is also estopped

to challenge its operative effect or utility." This same theme was repeated in the District Court's Conclusions of Law VIII and IX (R. 151-152). (Plastic, it will be recalled, has a license under the Butterfield patent, acquired in May, 1960, while Plastic was still in litigation with Solex. R. 46, 47.)

What the District Court meant by the term "operative effect" is not certain. The term, however, was suggested by Butterfield (R. 195, 245-246); and Butterfield, in argument, treated "operative effect" as equivalent to "legal scope" (R. 289-290).

If, by the findings and conclusions above noted, the District Court meant to hold that Plastic's license under the Butterfield patent estops it from showing how narrow the legal scope of the patent really is, then the District Court certainly erred.

A licensee is of course not free to challenge the licensed patent's validity, but there is no rule of law obliging him to accept his licensor's notions as to what the licensed patent *covers*. A licensee is as free as anyone else to challenge and refute a patentee's exaggerated pretensions with respect to *scope*.

The estoppel of a licensee or assignor of a patent is limited to the narrow proposition "that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent". Apart from that limitation, the Court "will apply to the patent the same rule of construction . . . which would be applicable between the patentee and a stranger." (Westinghouse Electric & Mfg. Co. v. Formica Insulation Co. (1924), 266 U.S. 342, 351).

That proposition has been elementary law for nearly a century. The statement quoted above was taken by the Supreme Court from the opinion of Judge (later Justice) Lurton in Noonan v. Chester Park Athletic Co. (6 Cir., 1900), 99 Fed. 90, 91; the Supreme Court supported it, in the Westinghouse opinion, by citing many cases from other circuits, including Leather Grille & Drapery Co. v. Christopherson (9 Cir., 1910), 182 Fed. 817, 822.

Other affirmations of the rule may be found in an opinion by Chief Justice Stone (Scott Paper Co. v. Marcalus Mfg. Co. (1945), 326 U.S. 249, 252-253), in an opinion by Judge Lindley of the Seventh Circuit (Casco Products Corp. v. Sinko Tool & Mfg. Co. (7 Cir., 1940), 116 F. 2d 119, 121), and in a recent decision by Judge Yankwich (Blastcrete Eqmt. Co. v. Ridley & Co. (S.D. Cal., 1959), 174 F. Supp. 277, 280).

So much for Butterfield's attempt to hobble Plastic by a pretended licensee estoppel; we now turn attention to an equally untenable Butterfield contention:

(b) The Settlement Of The Prior Litigation Between The Parties Is NOT Evidence Relevant To The Scope Of The Butterfield Patent.

When Plastic cleared up its litigation with Solex by purchasing that company, it inherited an already-pending lawsuit against Butterfield's company, in which, by complaint and counterclaim, both the Tuohy and Butterfield patents were in issue. That litigation was settled, in May, 1962, by execution of settlement papers and entry of a consent judgment (R. 11-28, 46-47).

By the settlement, the parties stipulated that both patents were *valid*, and that Solex (not Plastic) had infringed the Butterfield patent. There was no commitment in any of the settlement documents, however, which purported in any way to define the *scope* of either patent.

The settlement agreement (R. 16-18), after reciting that Solex had infringed the Butterfield patent, provided that "as settlement for the damages suffered... from and by virtue of said infringement," Plastic would grant to Butterfield certain releases and license rights under the Tuohy patent and would pay Butterfield \$6,000 in cash.

Elsewhere in the settlement agreement, separate from the aforementioned settlement of infringement damages, Plastic agreed to pay Butterfield \$60,000, in three installments (R. 18-19).

In this present case, Butterfield argued below (R. 289-290) that Plastic's having bought a paid-up license from Butterfield in 1960 and having paid substantial damages to Butterfield in settlement of the 1962 litigation was evidence of "Plastic's continued belief that the Butterfield Patent had not only validity but substantial existing and potential trade usage." Note the fallacy in that argument: The issue was not what Plastic believed; the issue was what the patent covered! What Plastic may or may not have believed in 1962 could not possibly affect the scope—i.e., the legal boundaries—of a patent grant made in 1951.

Despite the non sequitur in Butterfield's argument, it persuaded the District Court; the finding was made (Finding 23, R. 116) that the settlement papers and consent judgment "are of significance in considering the contentions of the parties with respect to the scope of the Butterfield Patent as related to the Tuohy Patent."

That finding was clearly erroneous. It was a determination that the District Court could properly weigh Plastic's 1962 conduct as *evidence* bearing on the legal scope of a government grant (the Butterfield patent) made *eleven* years before, in 1951. It was like holding that the boundaries of an estate conveyed by deed could be determined as a matter of *fact*, by drawing inferences from a stranger's later conduct, rather than as a matter of *law*, by construing the deed itself against the background circumstances of its execution!

The District Court, be it remembered, was not even dealing with an admission by a party to the deed. The scope of the Butterfield patent was being judged by the subsequent conduct of Plastic, a stranger to the grant!

It is self-evident, we submit, that what the District Court did was error. The scope of a patent is a matter of law, governed by the language of the claims, the file history, and the prior art against which the stature of the invention must be judged (*Del Francia v. Stanthony Corp.* (9 Cir., 1960), 278 F. 2d 745, 747). Nothing that happens *after* the patent's issuance can affect its scope except a formal action such as a statutory disclaimer by the patentee himself.

The District Court erred even in making the speculative assumption that Plastic's settlement with Butterfield indicated *belief* that the Butterfield patent had broad scope. Other explanations are more plausible. For example, the settlement could well have indicated:

- (a) That Plastic was war-weary, after years of fighting a losing battle with Solex.
- (b) That Plastic thought it could buy its peace from Butterfield. (If so, subsequent events surely taught Plastic otherwise, as they did Neville Chamberlain and many another would-be appearer of a predatory enemy.)

Be that as it may, one thing is sure as a matter of law: Plastic's payment of money to Butterfield, to settle a law-suit in 1962, was not *evidence* as to the scope of patents granted years before.

III. Correction Of The District Court's Faulty Construction Of The Butterfield And Tuohy Patents Demands Also That The "Fact Findings" Premised Thereon Be Overturned.

We pause for a brief exercise in elementary logic-

Major Premise: As just demonstrated, by reason of the prior art, its claim language, and its Patent Office history, the Butterfield patent covers only contact lenses ground to conform to eye curvature in both the peripheral and central areas.

Minor Premise: Present-day contact lenses almost invariably diverge from the eye curvature in their peripheral areas. (This is conclusively established by the evidence of both plaintiff and defendant; see pages 18-24, supra.)

Conclusion: Very few of the contact lenses being sold today are covered by the Butterfield patent.

Corollary: The record is barren of evidence that contact lenses covered by the Butterfield patent are being marketed in substantial quantities by anyone—except, perhaps, by Butterfield's own company.

The stated conclusion and corollary, both unquestionably true, expose the error in a host of the District Court's "findings of fact" premised on faulty construction of the Butterfield patent. In undoing the consequences of that legal error, therefore, this Court should overturn:

—The findings that the Butterfield patent covers "a very substantial volume" of present-day commercial contact lenses (Nos. 8 and 62, R. 108, 147-148).

—The finding that Plastic's licensees constituted a "substantial part of Butterfield's potential market for his license agreements" (No. 41, R. 128).

—The findings (Nos. 43, 44, and 45, R. 128-129) that substantial numbers of contact-lens manufacturers are and have been making lenses covered by the Butterfield patent, and that there is "a substantial demand in the manufacturing and fitting trade" for such lenses.

—The finding (No. 53, R. 139) that "Plastic has improperly asserted as its policy in the trade that the Butterfield patent is inoperative, highly restricted in scope and lacks utility." (There is no evidence that Plastic has ever asserted that the Butterfield patent is inoperative or wholly lacking in utility; and it truly is, as we have shown, highly restricted in scope, by virtue of its late date, the prior art, its narrow claim language, and its Patent Office history.)

—The finding (No. 63, R. 148) that "the Butterfield Patent has been infringed by many of Plastic's licensees". (If the Butterfield patent be given its true legal scope, there is not a scintilla of evidence supporting this finding.)

Just as the erroneous "findings of fact" above-noted were spawned by the District Court's unfounded belief that the Butterfield patent was broader in scope than it is, so other erroneous findings were founded on unduly narrow construction of the Tuohy patent. Therefore, in according to the Tuohy patent its proper status, this Court should hold clearly erroneous these additional "findings of fact":

—The finding (No. 7(c), R. 108) that the scope of the Tuohy patent is limited to lenses "whose concave surface is defined by a *single* spherical curve" of a radius longer than that of the underlying eye curvature.

—The finding (No. 53, R. 139) that Plastic has "asserted an unduly wide scope" for the Tuohy patent.

—The finding (No. 62, R. 147-148) which "expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent".

Still others of the "findings of fact", tainted by error of law as to the scope of the Butterfield patent, stand revealed as clearly erroneous when viewed in the light of Butterfield's own evidence. Specifically, Findings 64 and 71 (R. 148, 149) state that there is no evidence of Butterfield's (a) having asserted for his patent a scope broader than it actually has or (b) having charged manufacturers with infringement based on over-broad pretensions as to the scope of his patent.

What Butterfield and his attorneys and agents actually did—and there can be no dispute at all about this—was to represent the Butterfield patent as covering bi-curved or multi-curved lenses regardless of conformity to eye curvature in the peripheral areas. Sometimes these representations would pay half-way lip service to the claims by acknowledging that the patent requires conformity in the optical or central area of the lens (i.e., on "K"), and on other occasions the patent would be flatly represented to cover all bi-curved or multi-curved lenses, regardless of conformity.

For example, Butterfield testified thus (Tr. 407-408):

"Q. . . . Now, you have, have you not, Doctor, on various occasions, orally and in writing, indicated the scope of your patent to be all contact lenses in which a central zone is formed with a spherical curve to conform to the apex of the cornea and then on which the marginal portion of it is provided with a different curve than the central curve?

"A. I think that is what the patent says."

In his sales talks with manufacturers, Butterfield represented the scope of his patent in these terms (Tr. 416-417):

- "Q. Did you describe the area of your claim?
- "A. I gave them my opinion as to what my patent covered.
 - "Q. And what is your opinion, Doctor?
- "A. Well, my opinion is that—I started to describe my lens this morning—a lens that has a central optical area which conforms to the curvature of the cornea and has a secondary curvature surrounding it which is different than the one in the middle."

Butterfield's agent Dippery issued infringement charges right and left with nothing to go on save the fact that the alleged infringer was making a bi-curved lens. His testimony (Tr. 235):

"Q. If you found a secondary curve on the lens, this was enough to convince you that the man who made the lens was infringing the Butterfield patent?"

"A. Yes, sir."

He did that, moreover, on the *instructions* of Butterfield himself (Tr. 205-206):

- "Q. Now, before you actually started operating under the contract, did you have any further conversations with Dr. Butterfield dealing with the subject of what you should and should not say?
 - "A. I did.
 - "Q. When did those conversations occur?
- "A. They occurred in our meeting at Dallas and several times by phone.
- "Q. Were those occasions before and after the execution of this contract?
 - "A. Mostly before.
- "Q. Now, what was discussed on that subject between you and Dr. Butterfield?
- "A. That anyone using a second curve or a bi-curve other than the base curve of the lens was infringing on the Butterfield patent."

When Butterfield's lawyers solicited licenses in his behalf, they too over-stated the patent's reach (Tr. 412-414; PX-143E, 118a-119a).

Of the District Court's many erroneous findings, none was more completely contradicted by the record than Findings 64 and 71 (R. 148, 149), holding that Butterfield did not misrepresent the coverage of his patent in soliciting manufacturers to take licenses from him.

IV. The District Court Erred In Holding That Plastic Violated The Anti-Trust Laws By Contracting For Royalties Measured In Amount By Its Licensees' Total Sales Of Contact Lenses.

We come now to the anti-trust phase of this case. It involves the terms of Plastic's standard license contract under the Tuohy patent (18a-26a), providing that royalty be paid (on a sliding scale downward from \$1.00 per pair) on "all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens". (19a-20a)

The District Court made two serious errors with respect to that royalty clause.

For one thing, the District Court held (Finding 27, R. 120-121) that the word "devices" is limited to lenses covered by the Tuohy patent. The District Court reached that conclusion, first, by calling Plastic's standard agreement "somewhat ambiguous, with respect to its royalty base", and stating (R. 120) that a construction should be adopted "which renders it legal and valid, rather than illegal".

That was plainly error. The clause is not ambiguous at all. The articles subject to royalty are clearly defined as quoted above and they plainly consist of *all* the corneal lenses sold by the licensee. Nothing could be plainer.

Having thus erroneously held that Plastic's royalty clause should be read to require payment only on lenses covered by the Tuohy patent, the District Court went on to its second error, holding (Findings 27(g)-27(k), R. 121-123) that Plastic had violated the anti-trust laws, illegally restrained trade, and competed unfairly with Butterfield by collecting royalties based in amount on its licensees' entire sales of lenses.

Plastic's standard royalty clause is of the type explicitly approved in *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.* (1950), 339 U.S. 827. In that case the very position the District Court adopted here was argued and rejected. The Supreme Court wrote (339 U.S., at 833):

"The royalty provision of the licensing agreement was sustained by the District Court and the Court of Appeals on the theory that it was a convenient mode of operation designed by the parties to avoid the necessity of determining whether each type of petitioner's product embodies any of the numerous Hazeltine patents... The Court of Appeals reasoned that since it would not be unlawful to agree to pay a fixed sum for the privilege to use patents, it was not unlawful to provide a variable consideration measured by a percentage of the licensee's sales for the same privilege... Numerous District Courts... have reached the same result on similar grounds, and we are of like opinion."

The reasons underlying the decision in *Automatic Radio* were stated thus (339 U.S., at 834):

"We cannot say that payment of royalties according to an agreed percentage of the licensee's sales is unreasonable. Sound business judgment could indicate that such payment represents the most convenient method of fixing the business value of the privileges granted by the licensing agreement. We are not unmindful that convenience cannot justify an extension of the monopoly of the patent. . . . But as we have already indicated, there is in this royalty provision no inherent extension of the monopoly of the patent."

The District Court should have followed Automatic Radio; its failure to do so was clearest error.

As inexplicable as the District Court's failure to cite *Automatic Radio* was its entry of this finding (No. 57(a), R. 143-144):

"There is no evidence whatsoever in the record justifying any claim by Plastic that convenience of accounting is a proper excuse for such a broad royalty basis. Plastic called no licensees and no one from its own administrative staff to testify to any difficulties which might exist in this area."

That finding is clearly erroneous. The evidence that accounting convenience is a proper basis for Plastic's royalty clause is not *lacking*. It is *compelling and conclusive*. The reason Plastic called no witnesses on that point is that Butterfield had *already proved it*.

The primary factor weighing against lens-by-lens royalty accounting on the basis of patent coverage is that the patent status of any particular lens cannot be ascertained by reference to the lens alone. How the lens relates in curvature to the eye on which it is fitted is what governs patent coverage, and information as to that is not available in the offices of the manufacturer-licensees. (All hands agree that lens manufacturers grind their lenses on prescriptions, sent in by physicians and optometrists. Tr. 307-308, 324-326.)

Since manufacturers have no way of knowing how the curves on the lenses they grind to prescription will relate to the corneal curvatures of the patients who will wear them, they cannot know from their own data whether a given lens will be covered by the Tuohy patent or any patent. This is obvious, and it stands admitted in this record (Tr. 326). It follows that an accurate lens-by-lens royalty accounting on the basis of patent coverage would require procurement, from somewhere, of data on the eye measurements of the ultimate users.

The expense and inconvenience of such a procedure is plain. It was so obvious to Butterfield himself that most of his recent licenses have royalty clauses *not* keyed to the number of lenses covered by the licensed patent. (See the facts gathered at pages 26-29, *supra*, and references there cited.)

Butterfield admitted that he solicited licenses calling for a monthly royalty at a bargain rate, based on the licensee's previous average monthly sales of *all* contact lenses (not just lenses covered by the Butterfield patent), and did so because "of simplifying their bookkeeping, simplifying my bookkeeping, simplifying the fact that I wouldn't have to send traveling auditors around, which costs money to audit their books." (Tr. 421-422; PX-84F, 38a-39a; DX-Q, 127a). Quod erat demonstrandum.

In the course of its general condemnation of Plastic's royalty clause, the District Court held illegal Plastic's inclusion of "unfinished" lenses in its royalty base (Findings 28-29, R. 124-125). This again was error. Since basing the royalty on the licensee's total sales of contact lenses is legal and proper, unfinished lenses — a part of that total business — may properly be included in the royalty base.

Here, as before, Butterfield confirmed by his own actions the propriety of what the District Court condemned Plastic for doing (Tr. 437-438):

- "Q. Well, the point I make is that you have always charged the same royalty for uncuts as you did for finished, finished lenses; isn't that so?
 - "A. We have three different types of licenses.
- "Q. And in all three of them there is no distinction made as far as royalty is concerned between uncuts and finished lenses; isn't that true?

"A. That's true."

The District Court plainly erred in holding that Plastic's royalty contracts violated the anti-trust laws.

V. The District Court Erred In Condemning Plastic's Offer To Indemnify Its Licensees Against Liability For Infringement Of The Butterfield Patent.

Butterfield complains, the Court will recall (pp. 2, 32-34, supra) that Plastic tortiously injured him, on December 10, 1962, by offering to indemnify its licensees in good standing against loss they might suffer as the result of actions for infringement of the Butterfield patent.

As in other areas, the District Court went all the way with Butterfield on this indemnity issue, finding that the offer was illegal, unjustified, and insincere (Findings 48, 49, 55, 56, 59, and 65, R. 132-133, 140-143, 146-148). The indemnity offer, held the District Court (Finding 65, R. 148), was not made in a sincere effort to protect Plastic's licensees who were not making lenses covered by the Butterfield patent, but rather was made "for the purpose of preventing Plastic licensees making Butterfield lenses from dealing with Butterfield."

The District Court's findings and conclusions concerning this indemnity issue were founded, we believe, on misconceptions already exposed:

- (a) It has been made plain that the District Court erroneously regarded the Tuohy invention as little used today, and, contra, the true state of things has been shown namely, that modern contact lenses, almost universally, do utilize the Tuohy invention and are covered by the Tuohy patent.
- (b) It has been shown that the Butterfield patent covers only lenses that conform to eye curvature in both their central and peripheral areas, and that there

is no evidence of such lenses being made in substantial numbers by anyone except perhaps Butterfield's own company.

Had the District Court judged this indemnity issue with correct legal perspective as to those matters, it is hardly conceivable that it would have reached the conclusion it did.

In appraising the motivation and legal basis for Plastic's indemnity offer, it is of prime importance to remember that Butterfield, for months, had been carrying on an extensive campaign of misrepresentation as to the scope of the Butterfield patent. Invariably, the patent was overbroadly touted by omission of the claim limitation requiring conformity in the marginal areas; on some occasions even the requirement of conformity in the central area went unmentioned. (See pp. 67-69, supra, and references there cited.)

Obviously, this was calculated to — and did — create unrest in the ranks of manufacturers, including those licensed by Plastic (DX-DD, 128a).

Viewed against that factual background — and it is the true one — the indemnity issue takes on a very different complexion than the District Court attributed to it. Plastic had good reason to believe that few if any of the lenses made by its licensees were covered by the Butterfield patent; and the damage done by Butterfield's campaign of misrepresentation was potentially great indeed. (Notably, neither before nor after Plastic's indemnity offer did Butterfield bring an action for infringement against any Plastic licensee, despite his having made infringement charges wholesale. The last thing Butterfield wanted was to have a court define the scope of his patent. It was more profitable to sign up timorous manufacturers by misrepresentations, threats, and pressure.)

Under the circumstances, Plastic's indemnity offer to its licensees was no more than a legitimate defensive measure against Butterfield's campaign of misrepresentation; and as such it was entirely proper. An agreement to indemnify another against the consequences of his conduct is legal, enforceable, and not against public policy when made in good faith (Corbin On Contracts, Vol. 6A, §1471 (1962), at pages 584-585; Municipal Metallic Bed Mfg. Co. v. Dobbs (1930), 253 N.Y. 313, 171 N.E. 75).

Wholly apart from the propriety of the indemnity offer, there is not the slightest proof in the record that it injured Butterfield. On the contrary, Butterfield's own evidence shows that he was not damaged.

Between May, 1962, when the prior litigation was settled, and December, 1962, when Plastic made its indemnity offer, Butterfield solicited twenty-six manufacturers and secured eleven new licensees. Between the first of December, 1962, and the date of trial, his batting average went up, with eleven new licensees secured by solicitation of only twenty-five additional manufacturers. (See page 33, supra, and record references there cited.)

The revenue records tell an even more impressive story. Butterfield collected royalties averaging \$2,872 per month in 1963, after Plastic's indemnity offer, as against \$1,703 per month in the last seven months of 1962, before the offer (PX-118, 113a).

On all counts, the District Court's findings and conclusions regarding Plastic's indemnity offer were contrary to the law and the record. The plain truth is that Plastic has never abused Butterfield or competed unfairly with him. The only unfair competition has been committed by Butterfield, and that has consisted of endlessly repeated false representations as to what his patent covers.

CONCLUSION.

There is no space for detailed argument of the District Court's lesser errors, such as the ruling that Plastic had a duty to act as Butterfield's spokesman in communications to the lens industry (Findings 46-47, R. 129-132, and pp. 32, 43, supra), and the ruling that Plastic acted without probable cause in charging Butterfield and his counsel with conspiracy (Findings 51, 52, 68, R. 134-139, 149; and see pp. 37-38 and 44, supra). The facts regarding those matters have been set forth, and they reveal the error in the rulings, we believe, without need for argumentative embellishment.

Broadly viewed, the nub of this case is that the Tuohy invention is the basic one on which the corneal contact-lens industry was built, and on which it still depends for success. Plastic, owner of the Tuohy patent, is no ogre; since it bought out Solex, it has encouraged competition by cutting the Tuohy patent royalties to a fraction of their former level and making licenses available to everyone.

Butterfield made a narrow invention and secured a narrow patent, which he has exploited successfully indeed. But, sad to say, by persistently and repeatedly misrepresenting what it covers. This controversy exists only because Butterfield insists on repudiating the admission he made to the Patent Office (146a) that the lens of his patent "has a posterior curvature that conforms to the curvature of the cornea".

The judgment should be reversed and the cause remanded, with directions (a) to dismiss the complaint for want of merit and (b) to enjoin Butterfield, on Plastic's counterclaim, from misrepresenting in the future the legal scope of the Butterfield patent.

Respectfully submitted,

Dugald S. McDougall 135 South LaSalle Street Chicago 3, Illinois

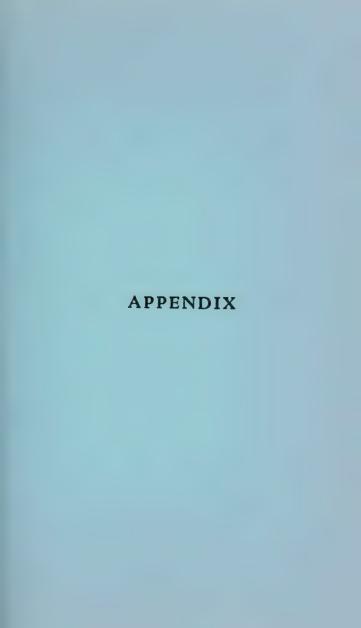
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Attorneys for Appellant

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

Dugald S. McDougall One of the Attorneys for Appellant





APPELLANT'S APPENDIX FOR EXHIBITS

In resolving the pivotal issues of law and ultimate fact in this case, the Court will find it important to be thoroughly familiar with certain key exhibits, especially the patents of the respective parties and their file histories.

For the Court's convenience, therefore, we have reproduced those and other key exhibits in this appendix, to make them easily accessible when appellant's brief is being read.

In compliance with Rule 18(f), this appendix begins with a complete table of all the exhibits in the record. Following that is the text of the specific exhibits wholly or partially reproduced herein, an index of which is provided at the end of the Table of Contents in the front of the brief.

COMPLETE TABLE OF EXHIBITS IN THE RECORD

Plaintiff's Exhibit No.	Identified	Offered	Received
Exhibit No.	.Identified	Oncred	Trecerved.
1	66	67	67
$\frac{2}{3}$	66	67	67
3	67	67	67
4	68	68	68
5	69	70	70
6	71	71	71
7	77	77	77
8	7 8	7 8	78
9	79	79	82
10	82	82	82
1 2	83	84	84
13 to 68	87-88	91	95,476*
69	109	109	110
70	110	110	110
71	110	110	111
72	263	263	263
73	111	111	111
74	112	112	112
75	112	112	113
76	113	113	113
77	114	114	114
80 to 97AL	114-115	115	263
98	116	116	117
100	118	118	118
101	118	119	474
101A to 101W	120	120	257, 477
102	121	121	121
102A to 102K	121	121	122
103	123	123	124
104A to 104Y	368-370	371	372
106 to 108	125	125	126
109	126	126	126
110	126	126	127

^{*} Ruling reserved on Pl. Exs. 66 and 67 (Tr. 94, 476).

Plaintiff's Exhibit No.	Identified	Offered	Received
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112	127	127	127
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114	128	128	129
115	129	130	130
117	131	131	131
118	132	132	132
119 and 120	132	132	132
122	289	374	374
123	673	673	674
124	133	133	134
125	178	178	178
126	134	134	135
127	135	135	135
128	135	135	135
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131	137	137	137
132	137	137	137
133	138	138	138
134	138	138	138
135	138	138	138
136	139	140	140
137A	141	141	141
137B	141	142	142
138	142	14 2	142
139	142	142	143
140	143	143	143
141	143	143	144
142	144	144	144
143A to 143G	145	145	145
144	145-146	496	497
146	148	148	149, 430
147	149	149	150
148	150	150	151
149	149	149	474
151	295	295	295

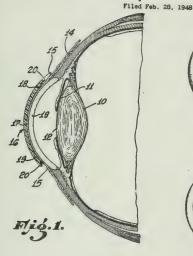
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\mathbf{C}	568	568	568
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\mathbf{E}	570	570	572
\mathbf{F}	411	573	573
I	575	575	575
${f L}$	413	573	573
O to S	584	584	585
${f T}$	589	589	589
U	573	573	573
V	589	589	590
W	590	590	590
X	590	590	591
\mathbf{Y}	590	590	591
${f Z}$	591	591	591
AA to DD	592	592	593
EE	595	595	595
\mathbf{FF}	442	573	573
$_{ m HH}$	596	597	597
п	597	597	597
JJ-1	54 8	549	549
KK	598	599	599
$\mathbf{L}\mathbf{L}$	574	574	574
NN	599	600	600
00	379	381	381
PP	573	573	573
$\mathbf{Q}\mathbf{Q}$	650	656	657
RR	650	656	657

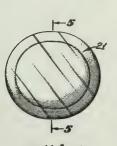
PLAINTIFF'S EXHIBIT No. 43

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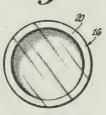
June 6, 1950

K. M. TUOHY CONTACT LENS 2,510,438











Kevin M. Fuohy

Hagard & Miller

Patented June 6, 1950

2,510,438

UNITED STATES PATENT OFFICE

2,510,438

CONTACT LENS

Kevin M. Tuohy, Los Angeles, Calif., assignor to Solex Laboratories, Inc., Los Angeles, Calif., a corporation of California

Application February 28, 1948, Serial No. 13,040

2 Claims. (Cl. 88-54)

This invention relates to a contact lens adapted to be applied to the human eye for the primary becomes exhausted. An object of the present invention is to pro-

purpose of correcting deficient vision. Heretofore contact lenses have been produced that have been made of either glass or synthetic resin plastics which have portions resting directly on the cornea of the eye with a supporting flange or border resting on the scleral portion of the eye or which have central portions arching over the cornea and which have flange or border 10 portions designed to extend beyond the limbus of the eye. The optical correction has been ground on that portion of the contact lens disposed over the cornea and fluids compatible with the eye tissue have generally been interposed 15 between the lens and the eye. Such contact lenses have had a number of objections which have, either collectively or individually, retarded their general use. Among these objections are (1) the time and skill required to properly fit the lenses to the eyes of the patient; (2) the lack of comfort which prevents such contact lenses from being worn continuously longer than only rela-tively short times; (3) the development of the appearance of rainbows or halos, particularly 25 around bright light sources and the clouding of the vision after the lenses have been worn for a relatively short time; and (4) the necessity of determining and then using fluids with the contact lenses which are compatible with the eye 30 tissues of the user.

I have ascertained that one important source of these objections is occasioned by the fact that the contact lenses heretofore devised universally engage the scieral portion of the eye so that the 35 pressure of the flange or border portion of the contact lens on the scleral portion not only applies objectionable pressure to the nerves in the eye but retards the normal blood flow through the veins in the scieral position. The pressure on 40 the nerves and the retarding of the normal blood flow is conducive to the development of irritation and is a principal-reason for the appearance of the objectionable rainbows, halos and cloudiness. The contact lenses heretofore developed, even when removed for the purpose of resting the eye, do not bring about immediate relief on removal and, due to the fact that they cover such a wide expanses of the eye, they must be fitted with a relatively high degree of accuracy by one who is highly skilled in this type of work. With the use of contact lenses which extend beyond the limbus portion the eye is almost completely covered and with the fluid sealing off all possi-

bility of air and natural eye fluids the eye soon

vide an improved contact lens which is characterized by the fact that when properly fitted to the eye of the person for which it was designed its maximum dimensions will be less than the dimensions across the limbus at the edges of the cornea. In the preferred arrangement, the contact lens embodying the present invention is smaller in size than the iris but larger than the maximum pupil opening. This is particularly true when the lens and the iris are considered along the horizontal meridian. When considered on the vertical meridian the lens may exceed the iris slightly but still should be within the limbus. In this manner as the lens normally

does not engage the sclera, the sclera is exposed to air and natural eye fluids and is not subjecte to the objections arising from pressures applied thereto. A further important characteristic of the im-

proved lens resides in the fact that although it is in the nature of a concavo-convex section of transparent material largely conforming in shape and size to the cornea of a given eye, the inside or concave surface actually is slightly flatter or may be regarded as having a slightly greater radius of curvature than the cornes. In this manner the lens may actually contact the cornea near the center of the lens while the portions of the lens adjacent its margin are slightly spaced therefrom. This space affords an opportunity for the natural eye fluids to enter and relieves pressure on the cornea. Although blinking of the eyelids may displace the lens from over the cornea temporarily so that its edges may extend across the limbus and even onto the sciera, the minimum contact between the lens and the cornea occasioned by this relation of curvatures is such as to reduce the irritation, if any is present, to a minimum.

With the foregoing and other objects in view, which will be made manifest in the following d tailed description and specifically pointed out in the appended claims, reference is had to the accompanying drawings for an illustrative embodiment of the invention, wherein:

Figure 1 is a vertical section on an enlarged scale through the forward portion of a human eye illustrating a contact lens embodying the present invention in applied position thereon;

Figure 2 is a front view in elevation of the contact lens illustrated in Figure 1;

Figure 3 is a rear view in elevation of the same;

9,510,438

Figure 4 is a front view in elevation of a slightly modified form of construction; and Figure 5 is a vertical section taken substantial-

ryupon the line 5—5 upon Figure 4.
Referring to the accompanying drawings a wherein similar reference characters designate similar parts throughout, in Fig. 1 the lens of the eye is indicated at 18 over which there is the iris 11 which defines the pupil 12. The cornea is generally indicated at 12 and the sciera generally 18 indicated at 16. The limbus portion which defines the sclera from the cornea is indicated at 18.

The contact lens embodying the present invention consists of a concavo-convex section is of any suitable transparent or semi-transparent 15 material. This material may be optical glass or, in conformity with conventional practice, it may be a synthetic resin plastic of the type now generally being employed in the manufacture of contact lenses. The material in the usual situation 20 may be perfectly transparent but in some in-stances it may be slightly darkened or tinted either for glare-reducing purposes or to enhance or modify the natural color of the iris it in se-

curing desired cosmetic effects.

This section will, of course, vary in size and shape to conform to the particular eye to which it is fitted but in embodying the present invention it possesses the following characteristics. lens is less than the corresponding dimension of the iris so that the margins of the lens when in the normal applied position are within the iris 11. However, the lens is not so small that it will not completely cover the pupil 12 seen the iris 35 ii is in its fully opened position. The lens may, therefore, be defined as to size as being within the limbus of the eye but beyond the maximum openling of the iris. Another characteristic of the lens is that it has a radius of curvature slightly greater than the radius of curvature of the cornea to which it is applied or, in other words, the lens is slightly flatter on its concave side than the convexity of the cornea. In this manner the major portion of the contact between the lens and the cornea will occur near the center of the cornes or in the neighborhood of the location indicated at 17, whereas at the top and bottom of the lens, as well as as the two sides there will be slight clearance spaces is and is. I find its advisable to have a slight difference between the radius of curvature of the concave side of the lens and the convex surface of the cornea so as to reduce irritation. The clearance spaces 18 and is, as well as the clearance spaces at the sides of the lens, enable the natural eye fluids to enter between the lens and the cornea which is, of course, desirable. The presence of this fluid in these clearance spaces probably contributes to the holding of the lens in place on the cornea such as by capillary action. The optical cor-rection may be ground either on the interior or exterior surface of the lens is or both, and in some instances the optical correction ground on the interior surface of the lens is adequate to esprovide the clearance spaces is and is. In other words, the lens blank may initially have an interial radius of curvature exactly conforming to the radius of curvature of the cornea but on grinding the optical correction on the interior of the lens its concave radius of curvature may be so altered thereby as to provide the clearance spaces which are of adequate size. These clear-ance spaces need not be great and, for example, if the radius of curvature of the cornea measures ya

7.8 millimeters the radius of curvature of the concave side of the lens need only be 7.9 or possibly 8.0 millimeters.

I find it advantageous in the usual lens to bevel the concave surface adjacent the margins, as indicated at 28. When the lens is in applied position on the eye the eyelid, in blinking or closing thereover, will tend to disturb the position of the lens on the cornea. Usually most of this disturbance is created by the upper eyelid which, on opening, may tend to lift the lens from the full line position shown in Fig. 1 to a dotted line position therein and, as illustrated in the dotted line position the lens may be temporarily shifted up-wardly so that it has crossed over the limbus portion is and may even extend partially onto the sclera 14. This displacement of the lens is usually only temporary and subsequent blinking or closing of the eyelid will tend to restore the lens to its centralized position with relation to the As the limbus portion is usually procornes. trudes slightly the internal bevel 28 facilitates the slipping of the lens thereover so that when displacement of the lens does take place it may oc-cur without causing irritation. When the lens is returned to the cornea in the course of subsequent blinking, it tends to centralize itself thereon. Any necessary correction may be ground on the

maximum dimension such as the diameter of the 30 surfaces of the lens and in some instances the correction required is such that the lens must be either relatively thick or have relatively thick margins. Where the lens is thick or has thick margins the external or convex surface may be beveled as indicated at 21 to facilitate the passing of the conjunctive of the cyclids thereover. Both bevels 28 and 21 should be relatively small and should be confined to the distance between the maximum opening of the iris and the limbus portion is so that the user under no circumstances will look through a beveled portion of the lens.

In Fig. 4 a slightly modified form of construction is illustrated wherein the lens, instead of being circular in form, is slightly ovate or elliptical. The lens may be given any shape required to properly fit the size and shape of the cornea to

which it is applied.

It will be noted from the above described construction that the improved contact lens is rela-tively simple. A feature of its construction resides in the fact that in its normal position shown in Fig. 1 no portion of the lens contacts the sciera and consequently the irritation generally produced when contact lenses are pressing against the sclera is entirely avoided. Purthermore, the prescribing of lenses of this character is greatly aimplified. Whereas heretofore it has generally been necessary to form a mold of the eye to determine the size and shape of the cornea and the size and shape of the surrounding sciera, in the present construction the size and shape of the sclera becomes relatively immaterial. scription for the required correction can be determined in the usual manner and the corneal portion of the eye can then be measured both horizontally and vertically by any conventional measuring instrument used for this purpose. With the measurements of the cornes known both as to height, width and radius of curvature and the required correction known, a lens manufacturer can easily fill a prescription for contact lenses with reasonable assurance that the lens will fit the patient property. In so doing his skill and judgment may be required in determining whether or not a lens blank having a larger in-

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ternal radius of curvature than that of the corn shall be used or whether the lens may have the same internal radius of curvature and the correction ground on the inside of the lens be relied upon to form these clearances. In the use of the improved lens it is unnecessary to try repeatedly and reject various solutions or fluids before wearing time can be gained inasmuch as no solution need be used at all with the present lens. However, in applying the lens embodying the present 10 light-transmitting material having a marginal invention it is frequently advisable to moisten its surfaces so that at the time of initial application there will not be any discomforture particularly of the eyelids. No special fluid or solution is required for this purpose and ordinary water 15 not harmful to the eye may be employed to moisten the lens. When the lens is worn its presence can rarely be detected. Even the bevels at the margins of the lens can rarely be detected due to the fact that they are within the iris portion, 20 being ground to correct for visual deficiency and the edges of the lens particularly at the sides of the tris being backgrounded by the colored tris and to a large extent undiscernible and although the lens at the top and bottom of the tris projects or slides beyond the iris these portions are 25 normally concealed by the upper and lower eyelids.

I find that lenses of this character can be worn over prolonged periods of time-periods of twelve and thirteen hours of continuous use being not so unusual-without causing objectionable irritation and without causing cloudiness or rainbow and halo effects which are frequently produced with the usual contact lens in very much shorter periods of time.

I find it advisable to mark the lenses so as to be able to distinguish the lens for the right eye from the lens for the left eye and to indicate which side of the lens should be positioned un permost and lowermost as the case may be. Such 40 markings may be very small and when applied should be applied very close to the margin of the lens and if the lens is beveled they should be applied to a bevel.

Various changes may be made in the details of 45 O. D., published in The Optometric Weekly, Febconstruction without departing from the spirit and scope of the invention as defined by the appended claims.

I claim:

1. A contact lens applicable to the human eye so comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum tris opening, said lens having a radius of ga

curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency.

2. A contact lens applicable to the human eye comprising a concavo-convex lens formed of him smaller than the limbus portion of the eye to which it is applicable but larger than the maximum tris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornes to which it is applied so that radially from the cen ter of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens having a bevel at its marginal edges on the concave side thereof.

KEVIN M. TUOHY.

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The following references are of record in the file of this patent:

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Number Name Date Mar. 3, 1903 May 7, 1937 722,059 Volle _____ Linke 2,000,768 POREIGN PATENTS

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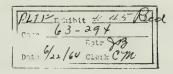
The New Hamblin-Dallos Contact Lens, (publication), page 143 of "The Optician," April 1, 1938 Obrig (Text) "Contact Lenses," 1942, publica-

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PLAINTIFF'S EXHIBIT No. 45



March 6, 1951

G. H. BUTTERFIELD CORNEAL CONTACT LENS 2,544,246

Filed Aug. 1, 1950

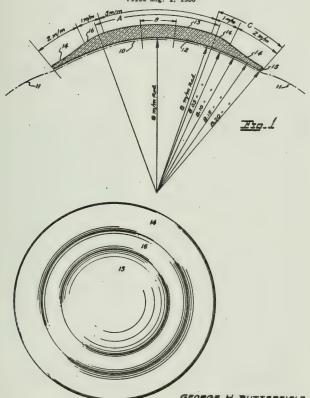


Fig. 2

James & Sivna

Patented Mar. 6, 1951

UNITED STATES PATENT OFFICE

2,544,246

CORNEAL CONTACT LENS

George H. Butterfield, Portland, Oreg. Application August 1, 1950, Serial No. 177,050

3 Claims. (Cl. 88-54.5)

This invention is a continuation in part of my application S. N. 107,948 filed August 1, 1949 and relates to contact lenses and more particularly

to a contact lens that covers the corneal region

of the eye. The conventional contact lens, that is, the contact lens which has a scleral flange molded to fit the eyeball has many limitations. Not the least among these is the fact that the wearing time is quite short; a few hours' wear causes a corneal misting or halation brought about presumably by the pressure of the lens cutting off blood circulation in the limbal region and the prevention of free flow of lacrimal fluid. Other factors preventing this lens from coming into wide use are the need for a special accessory fluid between the lens and the eye. In addition, the difficulties of fitting them to the individual eyeball are apparent and well-recognized. For that reason, a practical corneal lens has been much sought after. In theory, the corneal lens is the ideal method of correcting visual deficiencies, since it does not touch the limbal region, needs no accessory fluid, and has other beneficial optical properties known

to workers in the art. The applicant, in his invention, has provided a corneal lens which can be worn continuously throughout the full waking day by the average person without experiencing corneal blurring or

discomfort of any kind.

Furthermore, the lens of the applicant overcomes a common deficiency of corneal lenses, that is, their tendency to fall away from the eveball due to insufficient surface tension or capillary attraction or due to the eyelid lifting the 25 lens away from the cornea.

In addition, the applicant has provided a contact lens which needs no accessory fluid, which does not give the eye a bulging appearance, which is perfect from the viewpoint of cosmetology and ophthalmology, which is self-cleaning, which is easy to fit, which is free of marginal aberrations, which can be used by persons with pathological conditions of the cornea, and which may be easily and inexpensively manufactured.

With the above objects in view, as well as others which will appear as the specification proceeds, the invention comprises the construction, arrangement, and combination of parts as now to be more fully described and as hereinafter to be specifically claimed, it being understood that the disclosure is merely illustrative and intended in no way in a limiting sense, changes in details of construction and arrangement of parts being permissible so long as within the spirit of the as

invention and the scope of the claims which fol-

In the accompanying drawings:

Figure 1 shows a greatly enlarged sectional view of the lens of the present invention taken through the center thereof.

Figure 2 shows a greatly enlarged view of the anterior, convex face of the lens of the instant invention.

Referring to Figure 1, the lens which may be made of methyl methacrylate or similar substances is shown in conjunction with a human eyeball, shown in broken lines. The reference character 10 designates the surface of the corner

while the limbal region is designated ii. Generally speaking, the lens of the applicant is of concavo-convex type and consists of a posterior, concave side 12 and an anterior, convex side 18. The concave side 12 is of a perfectly spherical shape over the central area of the lens indicated by the dimension 5 mm. It is to be noted that

the lens shown in the drawing is provided with dimensions; these dimensions are given to show the relative proportionalities between the parts 25 of the lens. The particular lens shown is illustrative of a lens particularly made for a person having a cornea whose radius of curvature in the central portion is 8 mm. The diameter of the central area designated by the dimension 5 mm.

is slightly smaller than the maximum diameter of the pupil, the latter diameter being indicated by the dimensional character A. The convex side with the curvature needed to supply the needed visual correction to the eye; the area that is thus formed is also slightly less in diameter than the maximum diameter of the pupil. The area subtended by the pupil in its minimum contracted

condition is indicated by the character B. curvature of the concave side 12 of the lens changes as the point on the surface is further from the center of the lens; at the edge of the area indicated by the 5 mm, dimension the radius of curvature becomes progressively greater un

til it reaches a maximum at the outer edge if of the lens. In the preferred embodiment shown in the drawing, the radius of curvature increases by 21/2% from the central spherical area to the edge 18. The outside diameter of the lens must of course, be such that the lens may lie on the surface of the cornea 18 within the area define

by the limbus II. Actually, the concave side II of the lens approximates the surface of a paraboloid for a reason to be discussed later

The anterior or convex side 13 of the lens is

3,544,346

formed with a rim portion 14 adjacent to the edge 15. This rim portion is relatively thin and its surface is generally parallel to the surface of the concave side throughout its extent. The rim portion 14 can be said to extend approximately 2 mm, inwardly of the edge is and it is indicated by the dimension 2 mm. Between the central vision-correcting portion of the convex side of the lens and the rim portion is is a transition area indicated by the dimension 1 mm. This, 10 transition area has a smoothly curved surface leading from the thick central part of the lens to the thin outer part and should be such as to present no abrupt changes in contour that may be engaged by the conjunctiva of the eyelid causing 15 displacement of the lenses. The outer edge is of the lens is formed as a smoothly rounded

3

The operation of the lens is based on the fact that the average human cornea is not exactly 29 spherical, but actually is more like a paraboloid, with the central, visual portion being a sphere to all intents and purposes, but with the radius of curvature becoming greater as one leaves the visual area and progresses outwardly toward the 25 visual progresses

imbus.

surface.

Yet, in the past, all corneal lenses have been made on the theory that the cornea was spherical throughout and the concave side of the lens has been made spherical also. It can be seen that, 30 if a spherically surfaced lens is used on a paraboloidal cornea, the lens will necessarily contact the cornea at the conus and at the edge. Now, the sphere and the paraboloid are quite similar at the conus and no undue pressure takes place; at the edge, however, the pressure is great enough to cause discomfort and blurring. If the spherical surface of the lens in such a case is chosen large enough to prevent this localized pressure, the lens will be too loose and will easily separate 40 from the cornea because of insufficient capillary attraction and because there will necessarily be a large space between the cornea and the edge of the lone and the eyelid will slip under the lens and lift it.

Now, the theory behind all corneal contact lenses is that the lens be so formed that it can ride on a film of lacrimal fluid which exists between cornea and contact lens; if the lens does not float on such a film or causes a local pressure, there will be discomfort, halation, and the like and if the space between lens and cornea is too great, the capillary attraction will not exist and the lens may fail away from the eye. The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens.

condition.

Since none of the lens outside of the area of the maximum extension of the pupil, designated of a in the drawing, is to be used for overcoming the sight deficiency and is only present to present the maximum context area between lens and cornea for maximum capillary attraction, it is possible for the applicant to use the non-visual agarea in a way to best overcome the past deficiencies of corneal contact lenses. The particular shape provided allows the cyclid to alide smoothly over the edge of the lens. The result

is that there is no pain or sensation in the cyclid, and there is no opportunity for the cyclid to pry the lens away from the cornes.

I claim:

1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea. 2. A corneal contact lens as in claim 1 wherein

the anterior marginal area is gradually reduced in thickness toward the periphery of the lens by an arcuste facing in reverse curvature to the convex surface of the lens, both the junction of said arcuste facing with the remaining central convex portion and the lens edge having a smooth transition whereby the eyelids may pass freely

over said edge.

3. A corneal contact lens as in claim 1 wherein the anterior marginal area is gradually reduced in thickness toward the periphery of the lens by a concave facing in reverse curvature to the convex surface of the lens, both the junction of said concave facing with the remaining central convex portion and the lens edge having a smooth transition whereby the eyelids may pass freely over said edge.

GEORGE H. BUTTERFIELD.

REFERENCES CITED

The following references are of record in the file of this patent:

UNITED STATES PATENTS .

45 Number Name Date
2,510,438 Tuohy _____ June 6, 1950
FOREIGN PATENTS

Number Country Date 805,592 France Aug. 31, 1936 OTHER REFERENCES

"The New Hamblin-Dallos Contact Lens"

(publication), page 143 of "The Optician," April 55 1, 1938.
"Contact Lens Note" (publication), page 68 of

"The Optician," March 4, 1947.
"Changes in the Form of the Contact Lens

Optic" by Jones, published in "The Optician,"
December 31, 1948, pages 617 and 618.
"The Question of Contact Lens Design," pub-

"The Question of Contact Lens Design," publication appearing in "The Optician," Feb. 4, 1949, pages 37 to 39.

"The Corneal Lens" by Dickenson, from the publication "The Optician," September 2, 1949, pages 141 to 144.

"Corneal Contact Lenses" by Bier, published in "The Optician," September 9, 1949, page 145

PLAINTIFF'S EXHIBIT No. 46 (Excerpt)

(Excerpt From Pl. Ex. 46: Typical Early License Agreement Under Tuohy Patent As Granted By Solex)

NON-EXCLUSIVE LICENSE

THIS AGREEMENT made and entered into in duplicate by and between SOLEX LABORATORIES, INC., a corporation of the State of California, having its principal place of business at 530 North La Cienega Blvd., Los Angeles 48, California, hereinafter referred to as SOLEX, and CENTRAL CONTACT LENS COMPANY, INC., having its principal place of business at P. O. Box 526 Mobile, Alabama, hereinafter referred to as CENTRAL. WITNESSETH:

WHEREAS, SOLEX represents and warrants that it is the owner of United States Letters Patent No. 2,510,438, issued June 6, 1950, for "CONTACT LENS", to Kevin M. Tuohy;

WHEREAS, CENTRAL is desirous of acquiring a non-exclusive license to manufacture and sell lenses embodying the invention of said Letters Patent throughout the United States and its territories for the remainder of the term of said Letters Patent and reissues or extensions thereof.

NOW, THEREFORE, in consideration of the coven shereinafter expressed, the parties hereto agree as follows:

I.

SOLEX hereby grants to CENTRAL a non-exclusive license to manufacture and sell lenses embodying the invention of said United States Letters Patent No. 2,510,438, throughout the United States and its territories, and elsewhere throughout the world, for the remainder of the term

for which said Letters Patent have been granted and including all reissues or extensions thereof, subject to the faithful performance by CENTRAL of the following terms and conditions:

2.

CENTRAL agrees to pay to SOLEX a royalty of Three Dollars and Fifty Cents (\$3.50) per pair, or One Dollar and Seventy Five Cents (\$1.75) per single lens on all finished lenses manufactured and sold by CENTRAL and covered by Tuohy Patent No. 2,510,438 or which would contributorily infringe said patent; and a royalty on all unfinished lenses manufactured and sold by CENTRAL under said Tuohy patent, or which would contributorily infringe said patent in accordance with the following schedule:

\$2.00 on the first 50,000 pair or \$1.00 per lens

\$1.00 on the next 50,000 pair or \$.50 per lens

\$.75 on the next 100,000 pair or \$.375 per lens

\$.50 on the next 100,000 pair or \$.25 per lens

\$.25 on all additional pair or \$.125 per lens

CENTRAL shall not pay royalties to SOLEX on lenses purchased from SOLEX or from a direct licensee of SOLEX, but such lenses shall not be counted in the total number of lenses sold by CENTRAL under the schedule hereinabove.

3.

On or before the 20th day of each calendar month, CENTRAL agrees to supply to SOLEX a true written statement setting forth the total number of lenses embodying the invention of said Letters Patent that have been manufactured and sold, or caused to be manufactured and sold by CENTRAL during the preceding calendar month

and shall pay to SOLEX the royalty or royalties set forth in Paragraph 2 hereof upon which payment has been made to CENTRAL.

4.

CENTRAL agrees to keep true and accurate records of accounts including copies of invoices and to hold the same open to the inspection by SOLEX or its duly authorized representatives during all business hours for purposes of audit, and agrees to make available at such times of inspection all records pertaining to purchases or acquisitions of material used in the manufacture of the lenses under this license and all labor records pertaining to the amount of labor expended in the manufacture of lenses under this license.

5.

CENTRAL agrees to apply to the container in which the lenses manufactured under this license are sold an appropriate designation indicating that the same are manufactured and sold under license under United States Letters Patent No. 2,510,438.

6.

CENTRAL hereby acknowledges the validity of said U. S. Letters Patent No. 2,510,438 for the entire term for which said Letters Patent have been granted and any reissues or extensions thereof, and agrees to refrain from either directly or indirectly attacking the validity of said Letters Patent.

7.

In the event the said patent shall be held invalid by any circuit court of appeals in the United States, or by any United States district court from which an appeal is taken

by SOLEX, then CENTRAL shall have the right to place in escrow any royalties accrued after such adverse decision until there has been a final determination of the question of validity, or any adverse decision on validity by the Supreme Court of the United States. However, any royalties which have been earned up to the time of such adverse decision by a circuit court of appeals or a district court from which no appeal is taken, shall be due and payable by CENTRAL to SOLEX. In the event royalties are escrowed as provided above and the validity of the patent is upheld, then such escrowed royalties shall promptly be paid to SOLEX, and if the patent is held invalid as provided above, then such escrowed royalties shall be paid back to CENTRAL.

8.

Nothing herein contained refers to or constitutes any settlement for past infringement, if any, that may have been committed by CENTRAL. Settlement for past infringement shall be subject to a separate agreement to be negotiated between the parties.

9.

SOLEX agrees that in the event it should grant a license to another person, manufacturer or corporation under said patent in an agreement upon terms and conditions more favorable than those herein accorded, except for the manner of settlement for past infringement, SOLEX shal promptly give CENTRAL the benefit of such more favorable terms and provisions.

10.

CENTRAL agrees that in the event of bankruptcy, insolvency or the appointment of a receiver or trustee, or for conserving or distributing its assets for the benefit of creditors, then this agreement shall cease and terminate without notice as of one day prior to such event, and any and all rights of every kind and nature whatsoever which have been herein granted by SOLEX to CENTRAL shall automatically revert to SOLEX, the same as though this agreement had not been entered into.

11.

CENTRAL shall have the right hereunder to grant sublicenses to other manufacturers subject to the terms of this agreement and CENTRAL shall be liable to SOLEX for royalties for the sale of lenses sold under said sublicenses in the amounts set forth in Paragraph 2.

If sub-licenses are granted by CENTRAL and all of the production of such sub-licensee or sub-licensees is sold by CENTRAL, then the aggregate of the production of such sub-licensee or sub-licensees shall be considered in determining the number of lenses sold by CENTRAL according to the schedule in Paragraph 2, hereof, and CENTRAL shall pay royalties thereon according to said schedule.

If sub-licensees make sales of lenses covered by or contributorily infringing said Tuohy Patent No. 2,510,438 to others than CENTRAL, such sales of lenses shall not be considered in determining royalties payable by CENTRAL to SOLEX. Such other sales by sub-licensees than CENTRAL shall alone be considered by the sub-licensees in determining royalties payable by them to SOLEX under the royalty schedule of Paragraph 2.

12.

In the event CENTRAL shall be in default in connection with any of the covenants and/or conditions under

which it is liable under this license, then SOLEX shall have the right to cancel this agreement upon the termination of a sixty (60) day written notice sent by registered mail, return receipt requested, to CENTRAL at its then known address; it being provided however that should the default be corrected within such sixty (60) day notice period, then this agreement shall remain in full force and effect, the same as if no notice had been given. Termination of this agreement as provided for herein shall not relieve CENTRAL of its obligation to pay all royalties that may have accrued prior to the effective date of termination, or on sales made by CENTRAL prior to such effective date of termination, and upon which payment for lenses is made subsequent to the effective date of termination.

THIS AGREEMENT shall be binding upon and inure to the benefit of the successors and assigns of the parties thereto, but shall not be assignable by CENTRAL except in connection with the transfer of the entire business and good will of CENTRAL as it is related to the manufacture and/or sale of corneal lenses.

14.

The effective date of this agreement is July 6, 1960.

SOLEX LABORATORIES, INC. By /s/ Kevin M. Tuohy
President

CENTRAL CONTACT LENS COMPANY, INC.

Name of Company

By /s/ Cecil R. Shaffer

Officer

PLAINTIFF'S EXHIBIT No. 46 (Excerpt)

(Excerpt From Pl. Ex. 46: Form Of License Agreement Currently Used By Plastic In Licensing The Tuohy Patent)

NON-EXCLUSIVE LICENSE AGREEMENT

THIS AGREEMENT made and entered into this		
day of 19, in duplicate, by and between		
The Plastic Contact Lens Co., a corporation of the State		
of Illinois, having its principal place of business at 18		
South Michigan Avenue, Chicago 3, Illinois, hereinafter		
referred to as LICENSOR, and		
,		
having a principal place of business at		
, hereinafter referred to as		
LICENSEE:		

WITNESSETH:

WHEREAS, LICENSOR represents and warrants that it is the owner of United States Letters Patent No. 2,510,438, issued June 6, 1950 for "CONTACT LENS" to Keven M. Tuohy, and has the right to grant licenses under United States Patent Application Serial No. 701,153, filed December 6, 1957, and has the right to grant a valid license to LICENSEE as hereinafter set out; and

WHEREAS, LICENSEE is desirous of acquiring a non-exclusive license to manufacture and sell devices as hereinafter defined throughout the United States and its territories for the remainder of the term of said Letters Patent, application, Letters Patent which may issue as a result of said application, and reissues thereof:

NOW, THEREFORE, in consideration of the covenants hereinafter expressed, the parties hereto agree as follows:

1.

LICENSOR hereby grants to LICENSEE a non-exclusive license to manufacture devices (namely pieces of material in which at least one lens surface is applied thereto and which is adapted to be made into a finished corneal contact lens,) and to use and sell such devices manufactured only in the United States, its territories or possessions, which license is under said United States Letters Patent No. 2,510,438, or in any reissues thereof, and under any other United States Letters Patent issued on or prior to January 1, 1961, on corneal lenses under which the LICENSOR or any other company owned or controlled by LICENSOR or their successors or assigns may hereafter have the right to grant licenses, or any reissues thereof and also under said application and any United States Letters Patent which may issue as a result thereof, including divisions, continuations or reissues thereof for the remainder of the term for which said Letters Patent have been or may be granted, subject to the faithful performance by LICENSEE of the following terms and conditions. Such license under any other said issued patent shall include a release for past infringement to the extent that the LICENSOR has the right to grant such release. No license, express or implied, is granted to LICENSEE under any other inventions, patent applications, or patents owned or controlled as of January 1, 1961 or thereafter by LICENSOR or its successors or assigns, or under which LICENSOR or its successors or assigns, has the right to grant licenses.

2.

(a) LICENSEE, solely for the purpose of accounting hereunder, agrees to pay to LICENSOR royalties upon all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens calculated in accordance with the following schedule on all such devices sold by LICENSEE:

- \$1.00 on each pair of the first 150,000 pairs of devices or \$.50 per device.
- \$.75 on each pair of the next 100,000 pairs of devices or \$. 375 per device.
- \$.50 on each pair of the next 100,000 pairs of devices or \$.25 per device.
- \$.25 on each pair of all additional pairs of devices or \$.125 per device.

LICENSEE shall not pay royalties to LICENSOR on finished or unfinished lenses (i.e. lenses upon which two lens surfaces are already formed) when purchased from LICENSOR or from a Licensee of LICENSOR and such lenses shall not be counted in the total number of devices sold by LICENSEE under the schedule hereinabove.

(b) It is understood that the LICENSEE herein shall not be obligated to pay to LICENSOR any royalty upon devices sold by LICENSEE whether manufactured by LICENSEE or purchased elsewhere including purchases from LICENSOR or its successors or assigns, wherein only one lens surface is applied thereto, except in such instances where such devices are sold to a person, firm or Corporation who is not a Licensee of LICENSOR, in which case royalty shall be due and payable in accordance with and included in the totals set forth in the provisions of paragraph 2(a) hereof. LICENSEE shall maintain records of the sale of such devices for inspection as provided for herein and shall notify any Vendee-Licensee of LICENSOR on each such sale made that LICENSEE

under this Agreement has not paid royalty hereunder and and that said Vendee-Licensee is obligated to pay to LICENSOR royalty on each device when sold by such Vendee-Licensee.

- (c) It is further agreed that should any of the devices sold by LICENSEE and upon which LICENSEE had paid a royalty hereunder be rejected and returned by LICENSEE'S Customer for full credit, and not for reworking, the LICENSEE shall be entitled to a credit for the amount of royalties paid by LICENSEE to LICENSOR upon such devices so rejected and returned. Such credits shall be deducted by LICENSEE from the royalties which may become due LICENSOR no later than the month immediately following the rejection and return of such devices by LICENSEE'S Customer.
- (d) It is understood and agreed that, with the exception of Canada, LICENSEE shall pay a royalty of \$.25 per pair of devices made in the United States and sold to fill bona fide orders in and for use solely in foreign countries, but these lenses will not count in the total of LICENSEE'S sales to affect or change the royalty brackets created in paragraph 2(a) hereof.
- (e) LICENSOR may terminate this agreement upon thirty (30) days written notice to LICENSEE in the event that LICENSEE has not sold at least twenty (20) devices under this agreement during the preceding six months.

3.

(a) On or before the 20th day of each calendar month, LICENSEE agrees to supply to LICENSOR a true-written statement setting forth the total number of devices sold during the preceding fiscal or calendar month, together with all necessary information pertaining to such

returns and rejections by LICENSEE'S customers, during the preceding accounting period and on which LICENSEE claims credit, and shall simultaneously pay to LICENSOR the sums of money due in accordance with Paragraph 2 hereof. Statements of payments shall be sent to LICENSOR at P. O. Box 746, Chicago, Illinois, unless change of address is directed by LICENSOR.

- (b) Royalties shall be due on said devices when billed out, or if not billed out, when delivered, or when paid for, if paid for before delivery, but royalties paid on devices not accepted by the customer shall be credited on future royalty payments, hereunder as provided in paragraph 2(c).
- (c) Furthermore, if it becomes necessary to bring suit against LICENSEE for the collection of royalties, all expenses, including attorney's fees, which are incurred by LICENSOR, not to exceed Five Thousand Dollars (\$5,000.00), shall be borne by LICENSEE.

4.

LICENSEE agrees that it will keep true and accurate records of accounts, including copies of invoices and other records in sufficient detail to enable the royalties payable hereunder to be determined, and further agrees that it will permit such invoices and records to be examined by an independent auditor or accountant, authorized by LICENSOR at any reasonable time during business hours, but not more than twice each year to the extent necessary to verify the statements and payments here provided for, it being agreed that such auditor or accountant shall make his report to LICENSOR in such manner that names of customers of LICENSEE will not be disclosed to LICENSOR. If any such examination shows an error of over five percent (5%) in Licensee's favor in the royalties

paid or payable, then the most of said examination shall be borne by the LICENSEE and such royalty deficit together with payment of said cost of examination shall be made to LICENSOR within thirty (30) days of the report of the examination.

5.

LICENSEE, if it so desires, may state in its advertising, sales promotional literature, or on its containers, that it is a Licensee under Tuohy United States Patent No. 2,510,438, or under any other patents which may be licensed under this Agreement.

6.

The LICENSEE agrees to refrain from either directly or indirectly attacking the validity of said Letters Patent licensed under this agreement during the term of this agreement.

7.

Nothing herein contained refers to or constitutes any settlement for past infringement, if any, that may have been committed by LICENSEE. Settlement for past infringement shall be subject to a separate agreement to be negotiated between the parties.

8.

LICENSOR agrees that in the event it should subsequent to the date of execution hereof grant a license to another person, firm or corporation under said Patent No. 2,510,438, or under any other United States Patent or application licensed hereunder upon overall terms and conditions more favorable than those herein accorded, except for the manner of settlement for past infringement, LICENSOR shall promptly offer LICENSEE the benefit

of such more favorable terms and conditions, which upon acceptance shall be retroactive to the date that such more favorable terms and conditions were accepted by said other person, firm or corporation.

9.

In the event that suit for infringement of a United States Patent or Patents is brought by a stranger or strangers to this Agreement wherein the validity of the Tuohy Patent No. 2,510,438, is directly placed in issue, to that extent only LICENSOR will defend LICENSEE by attorneys of LICENSOR'S choice and will pay any and all fees and cost involved in such defense. LICENSEE shall have the right to be represented in such suit as concerns such issue and other issues by Counsel of its own choice at its own expense.

10.

LICENSEE agrees that in the event of bankruptcy, or the appointment of a receiver or trustee for conserving or distributing its assets for the benefit of creditors, then this Agreement shall cease and terminate without notice as of one day prior to such event, and any and all rights of every kind and nature whatsoever which have been herein granted by LICENSOR to LICENSEE shall automatically terminate and revert to LICENSOR.

11.

LICENSOR agrees that upon written notice by LICENSEE of a manufacturer infringing said Tuohy patent 2,510,438, LICENSOR will attempt to either license or abate said infringement and if within six months after such notice the infringer has not been licensed or ceased infringing and LICENSEE so requests, LICENSOR agrees to bring suit against said manufacturer within

nine (9) months of such notice. However, LICENSOR will not be required to have more than one infringement suit under said Tuohy patent pending at any one time.

12.

- (a) In the event either party shall be in default of any of the covenants and/or conditions under this license, then the other party shall have the right to cancel this Agreement, if it so desires, upon the expiration of a sixty (60) day written notice sent by registered mail, return receipt requested, to the defaulting party at its then known address; it being provided, however, that should the default be corrected within such sixty (60) day notice period, then this Agreement shall remain in full force and effect, the same as if no notice had been given.
- (b) Termination of this Agreement as provided for herein shall not relieve LICENSEE of its obligation to pay all royalties which may have accrued prior to the date of such termination.

13.

If, in any suit for infringement of Patent No. 2,510,438, its claims shall be held to be invalid by the final judgment of a court of competent jurisdiction from which no appeal or other proceeding for review thereof can be or is taken, the obligation to pay royalties shall cease; provided, that such final judgment shall cease to have the effect set forth above in this paragraph from and after the date of a subsequent final judgment of a court equal or superior jurisdiction from which no appeal or other proceeding for review thereof can be or is taken, to the extent that such subsequent judgment shall hold a claim or claims valid, and in that event royalties due hereunder shall be retroactive to the date of cessation of payments hereunder and shall be paid within sixty (60) days thereafter.

14.

This Agreement may be terminated by LICENSEE by sixty (60) days prior written notice to LICENSOR at the expiration of Tuohy patent No. 2,510,438, or it may, at the option of the LICENSEE, remain in full force and effect under any one or more remaining patent or patents then coming under the Agreement at one-half (½) the royalty as set forth under the provisions of Paragraph 2 hereof; if LICENSEE elects to be licensed under said remaining patent or patents, LICENSEE may terminate the agreement with respect thereto at any time subsequent to one year after expiration of Tuohy patent No. 2,510,438, upon sixty (60) days written notice to LICENSOR.

15.

THIS AGREEMENT shall be binding upon and inure to the benefit of the successors and assigns of the parties thereto, but shall not be assignable by LICENSEE except in connection with the transfer of the entire business and good will of LICENSEE as it is related to the manufacturer and/or sale of corneal lenses. If this Agreement is so assigned by LICENSEE, written notice will within thirty (30) days be given LICENSOR of the name and address of such assignee.

This Agreement shall be effective as of the 1st	day
, 19	
THE PLASTIC CONTACT LENS	CO.
Ву	
Title	
Title	

NAME OF LICENSEE
By

Officer

PLAINTIFF'S EXHIBIT No. 53

(Letterhead of) PANTER, NELSON, ROTHSTEIN & ALBERT

October 25, 1962

TO: THE LICENSEES OF THE PLASTIC CONTACT LENS COMPANY

Gentlemen:

To fulfill our obligations under our licensing agreements, this letter is being sent to advise you of the circumstances under which The Plastic Contact Lens Company recently settled its patent litigation with George H. Butterfield, Sr. and his company, George H. Butterfield & Sons.

In that litigation Solex Laboratories, Inc. and The Plastic Contact Lens Company, as its successor, were charged with infringing Butterfield U. S. patent No. 2,544,246. Our patent counsel, Bair, Freeman & Molinare, who conducted the litigation and made the settlement, advised us that such litigation necessarily required the expenditure of substantial costs of litigation and exposed us to the risks involved in litigation.

To avoid this situation, a settlement agreement with the Butterfield interests was entered into, under which The Plastic Contact Lens Company was fully released from all claims alleging infringement of the Butterfield patent. As consideration for such release, The Plastic Contact Lens Company invested in George H. Butterfield & Sons the power to grant a non-exclusive, non-transferable, royalty-free license under Tuohy patent No. 2,510,438 to George H. Butterfield & Sons and to the four other companies which at that time were licensed under the Butterfield patent, namely, Titmus Optical Company, Rogers

Brothers, Southern Contact Lens Laboratories, Inc., and Utah Optical Supply Company.

These four last-named companies were included in the arrangement because of the Butterfield interests had indemnified them against liability arising from their infringement of the Tuohy patent. Their licenses under the Tuohy patent are conditioned upon their continuing to pay royalties under the Butterfield patent, and their license does not include the rights under our patent application Serial No. 701,153.

By thus settling the litigation with Butterfield, The Plastic Contact Lens Company not only relieved itself of possible material liability for past infringement, but also of substantial litigation expense which would have been incurred notwithstanding a decision in our favor.

Under the circumstances, it is clear that our settlement with the Butterfield interests did not constitute the granting of a license under Tuohy patent No. 2,510,438 "upon terms and conditions more favorable" than those provided in our standard license under that patent.

However, to fulfill all technical requirements of the license agreement, we are, by this letter, notifying all licensees that The Plastic Contact Lens Company stands ready to extend a revised license under the Tuohy patent No. 2,510,438 to any licensee which (a) deems our settlement with Butterfield to be "more favorable" than the terms of our standard license, and (b) is in a position to grant to The Plastic Contact Lens Company consideration equivalent to that which we received from the Butterfield interests.

To qualify for this offer, a licensee must show consideration equivalent to those involved in that case of which the paramount ones are: (a) that it owns a U. S. patent

that has been infringed by The Plastic Contact Lens Company, and (b) that such infringement has been of such magnitude as to yield a contingent liability comparable to that released by Butterfield.

To the best of our knowledge, none of our licensees is in such a position; indeed, so far as we know, none of our licensees holds any U. S. patent applicable in any manner to our products.

Should any of our licensees consider itself qualified to invoke paragraph 8 of our standard license agreement by virtue of our settlement with Butterfield, we should promptly be so advised in writing.

Very truly yours,

/s/ Irwin Panter
IRWIN PANTER
General Counsel for
The Plastic Contact Lens Company

TP:vm

PLAINTIFF'S EXHIBIT No. 54

(Letterhead of)
PANTER, NELSON, ROTHSTEIN & ALBERT

December 10, 1962

TO: THE LICENSEES OF THE PLASTIC CONTACT LENS COMPANY

Gentlemen:

Under date of October 25, 1962, the undersigned wrote to the licensee of The Plastic Contact Lens Company advising them of the circumstances under which The Plastic Contact Lens Company recently settled its patent litigation with George H. Butterfield, Sr. and his company, George H. Butterfield & Sons.

Concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Patent.

After due consideration of the problem with our patent attorneys, it was decided that an indemnity agreement could properly be offered to our licensees to secure them against any such claim.

Consequently, we have enclosed herewith such agreement, which we are tendering to each of our licensees. If, after examination of this agreement by you and your counsel, you desire to avail yourself of its benefits, please execute and return it in duplicate to Mr. Robert McClure, at The Plastic Contact Lens Company. He will secure the execution of one copy and its return to you for your files.

Very truly yours,
/s/ Irwin Panter
Irwin Panter
General Counsel for The
Plastic Contact Lens Company

IP:vm Enc.

PCL INDEMNITY AGREEMENT

This AGREEMENT made this day of
196, between THE PLASTIC CONTACT LENS COM-
PANY, hereinafter called "Licensor", and
hereinafter called "Licensee";

WITNESSETH:

WHEREAS the parties hereto have entered into a written agreements effective as of January 1, 1961, wherein Licensor granted to Licensee a non-exclusive license

for the use of U. S. Patent No. 2,510,438, under terms and conditions therein set forth, said written agreement being hereinafter called "said patent license";

AND WHEREAS, the parties hereto now desire to amend and supplement said patent license by undertaking further and additional mutual covenants and obligations, as hereinafter set forth;

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, the parties hereto agree as follows:

- 1. Licensee agrees faithfully to report and pay royalties to Licensor in accordance with the provisions of Paragraphs 2, 3, and 4 of said patent license, for the full term of said patent license, upon all devices, as defined in said patent license, that are sold by Licensee during said term.
- 2. In consideration of the faithful performance by Licensee of its obligations hereunder, Licensor shall indemnify Licensee, to the extent herein provided, against any and all claims for infringement under Butterfield U.S. Patent No. 2,544,246 with respect to devices sold by Licensee during the period beginning on the date hereof and ending at such time as this Agreement shall be terminated. This indemnity undertaking shall be upon these terms and conditions:
 - (a) In the event any suit, action or claim is asserted against Licensee for infringement of said Butterfield Patent, Licensor shall pay all attorneys' fees and court costs that shall be incurred in the defense of Licensee on such claim, suit, or action, and Licensor shall further pay Eighty-Five Percent (85%) of the amount of any award of damages that may be finally adjudged against Licensee on such

claim, suit, or action, insofar as such award shall be based on devices sold by Licensee during the term hereof and on which Licensee shall have paid royalties to Licensor as provided in Paragraph 1 hereof.

- (b) Licensor's indemnity obligations hereunder shall extend only to claims, suits, or actions for infringement. They shall not apply to any contractual claims or disputes between Licensee and Butterfield.
- (c) Licensor shall have the right to designate the attorneys to defend, in Licensee's name and behalf, any suit, claim, or action that may be indemnified by Licensor hereunder, and shall have the sole right to settle or otherwise compromise such suit or action.
- (d) As soon as Licensee shall be served with a summons or any other notice that it is charged with infringement of said Butterfield patent, Licensee shall immediately give Licensor written notice thereof. If a suit or action shall have been brought against Licensor, it shall promptly forward the summons and pleadings therein to Licensor or to the attorneys designated by Licensor to defend such suit or action.
- (e) Licensee shall, at all times during the pendency of any claim, action, demand, or suit indemnified hereunder, cooperate with Licensor and the attorneys designated by Licensor, attend hearings and trials, assist in providing, securing, and giving evidence and otherwise assist Licensor in such ways as are reasonably appropriate to facilitate an effective defense.
- (f) Licensee shall pay promptly and in full on or before the due date thereof, all royalties owing to Licensor.

- 3. This Agreement may be terminated by notice, in writing, by either party hereto to the other, which termination shall be as of a date not less than Sixty (60) days after the mailing of such notice. Termination of this Agreement shall not operate or be construed as termination of said patent license. Termination hereof shall not affect any right of either party that shall have accrued prior to such termination.
- 4. All notices hereunder shall be delivered in person or by registered mail, and until otherwise designated, shall be addressed to Licensor, at 18 South Michigan Avenue, Chicago, Illinois, and to Licensee at
- 5. This Agreement shall be interpreted in accordance with the laws of the State of Illinois and shall not be binding until accepted by Licensor at its home office in Chicago, Illinois.

Licensee	•	
Ву		
ACCEPTED:		
THE PLASTIC CONTACT LENS COMPANY	(SEAL	(،
Ву		

..... (SEAL)

PLAINTIFF'S EXHIBIT No. 73

List of Licenses Issued by George H. Butterfield Sr.

Name of Licensee	Date of Issue
Contalens Laboratories, Ltd.	8/15/63
Professional Eye Products	7/1/63
United Optical Co.	June 1963
Northwest Northern Optical Co.	June 1963
Kuhns Optical Lab.	5/15/63
James Dippery & Jack Case	4/25/63
Universal Contact Lens Co. Inc.	4/1/63
William R. Simpson	April 1963
Global Contact Lens, Inc.	April 1963
Universal Contact Lens of Dallas Inc.	1-1963
Vernon V. Caton O.D.	December 1962
Columbia Bifocal Co.	November 1962
Vision Clear Inc.	November 1962
Glenn Batteiger Jr.	10/29/62
Rich Tint Corp.	10/19/62
Professional Contact Lens Co. Inc.,	
Calif.	October 1962
Professional Contact Lens Co. Inc.,	
Illinois	August 1962
Midwest Sientific Co., Inc.	July 1, 1962
Urocon Inc.	5/25/62
Keith W. Ackman	5/25/62
Paracon Inc.	5/18/62
Professional C/L Lab. Inc.	5/15/62
Utah Optical Supply Co.	5/1/61
Geo. V. Stephens	4/10/61
Frontier Contact Lens Inc.	11/21/60
James C. Tannehill	10/1/60
Sloan Optical Co.	7/19/60
Roger Bros.	6/4/60

Jon Optical Corp.	6/1/60
Mann Instrument Co.	6/1/60
Plastic Contact Lens	May 1960
Crown Contact Lens Corp.	5/1/60
Titmus License	12/8/1959

PLAINTIFF'S EXHIBIT No. 74

List of Licenses who have stopped paying— Last payment

Tanco-Tannehill-Honolulu	June 15 1961
Richard Hunt-	
San Francisco	Never paid
Kerarex—San Francisco	1960
Dr. George Stephens—	
Atlanta, Ga.	Sept. 24 1963
Vernon Caton-	
Denver, Colo.	Never paid
Keith Ackman—	
Los Angeles	Jan. 16 1964
Viscon Clear Inc.—	
Salt Lake City	July 7 1963
	Filed suit paid 500.00
Uracon Inc.—Los Angeles	March 23 1964
Con-Cise Contact Lens	
Co.—Oakland, Calif	Only paid \$100.00 on account
Global Contact Lens Inc—	
Miami, Florida	Never paid
Jon Optical Corp.—	
Hayward, Calif	Oct. 13 1963
Procon—Pearia, Ill.	Nov. 15 1963

PLAINTIFF'S EXHIBIT No. 84F (Excerpt)

(Excerpt From Pl. Ex. 84F: Butterfield's License Agreement With Dippery and Case)

AGREEMENT SELLING ALL RIGHTS TO U. S. PATENT NO. 2,544,246

WITHIN A DESIGNATED GEOGRAPHICAL AREA

THIS AGREEMENT is entered into by and between GEORGE H. BUTTERFIELD, SR., of Portland, Multnomah County, Oregon, hereinafter sometimes referred to as "LICENSOR" and JAMES C. DIPPERY and JACK R. CASE of Houston, Harris County, Texas, hereinafter sometimes referred to as "LICENSEE";

WHEREAS LICENSOR is the inventor and sole owner of all right, title, and interest in and to United States Letters Patent No. 2,544,246 and Canadian Letters Patent No. 487,880 for "Corneal Contact Lens"; and

WHEREAS LICENSEE desires to acquire the exclusive right and license to make, use, and sell and to grant sublicenses to make, use, and sell devices under said patents above identified within a specific geographical area in the United States;

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter recited and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

T.

LICENSOR hereby grants unto LICENSEE the sole and exclusive right and license to make, use, and sell and to grant sublicenses to make, use, and sell devices under said Letters Patent above identified in the states of Texas, Oklahoma, Tennessee, Missouri, Iowa, Louisiana, Mississippi, Alabama, New Mexico, and Georgia; provided, however, this agreement shall not operate to enlarge, to terminate, or to interfere with any licenses heretofore given by LICENSOR within said area and further provided that LICENSOR shall have no authority or control over the granting of sublicenses within the area covered by this agreement except subject to the terms and conditions hereinafter set out.

H.

If LICENSEE establishes any branch offices or companies other than those presently licensed by LICENSOR to Universal Contact Lens Co., Inc., in the cities of Houston, Texas, and San Antonio, Texas, and Shreveport, Louisiana, then LICENSEE agrees and binds itself to pay to LICENSOR, as royalty, an amount which is equivalent to not less than the royalties paid by an equivalent sublicensee under this agreement.

IIA.

LICENSOR agrees to pay to LICENSEE thirty-three and one-third per cent (331/3%) of all monies received by it from sublicense agreements and releases for past infringement granted by LICENSEE within the area covered by this agreement, and thirty-three and one-third per cent (331/3%) of monies paid to LICENSOR by LICENSEE by reason of its manufacture, use, or sale hereunder. LICENSOR agrees to make all payments due LICENSEE hereunder to:

Jack W. Hayden c/o Hayden & Pravel Suite 1111 500 Jefferson Building Cullen Center Houston 2, Texas

III.

LICENSOR further agrees that on or before the fifteenth (15th) day of each calendar month it will furnish to LICENSEE an itemized statement which shall accurately show: (1) all royalties and payments which have been received by LICENSOR under any sublicenses granted by LICENSEE hereunder; (2) all royalties which have accrued to LICENSOR by reason of sale of devices by LICENSEE; and (3) payment of all monies due LICENSEE based on the above computations.

IIIA.

LICENSEE agrees that it will only grant sublicenses which conform to Exhibit A (unitary license form) or Exhibit B (paid up license form) attached hereto and will only grant releases for past infringement in the form of Exhibit C, attached hereto. LICENSEE agrees that if the paid up license (Exhibit B) is granted any sublicense, it will compute the amount of royalty as follows:

Add the total sales of proposed licensee, reasonably verified from business records exhibited, of manufactured contact lenses, in the year immediately preceding the intended commencement date of the license agreement. Divide this total of single lenses by 12 to arrive at an average monthly figure of sales of single lenses. This figure as to average monthly sales of single lenses shall then be multiplied by 50 cents per lens. The result so obtained is the monthly payments measured by the then unexpired portion of the life of the Canadian patent, disregarding fractions of less than one-half month. The Canadian patent expires November 11, 1969. In the case of manufacturers doing business more than six (6) months and less than twelve (12) months, the total production

record shall be used and the result divided by the nearest total number of months in business, which result, multiplied by 50 cents per single lens, shall become the monthly rate.

IV.

LICENSEE agrees to keep proper books of account relating to any manufacture and sale of devices by LICENSEE hereunder, and LICENSOR agrees to keep proper books of account relating to monies received by LICENSOR from any sublicenses granted hereunder, and LICENSEE agrees to furnish to LICENSOR an executed copy of each and every sublicense granted by LICENSEE hereunder, and said books shall be open at all reasonable times during business hours for inspection by LICENSOR and LICENSEE and/or their duly authoribed representative. LICENSOR and LICENSEE shall have the right, at their expense, to audit the books of account of the other from time to time and at various times.

V.

If the monies paid LICENSOR from this license from sublicenses and from releases for past infringement hereunder as his 66% % share do not equal or exceed eighteen thousand dollars (\$18,000.00) during each and every contract year of the term of this agreement, then LICENSOR may terminate this agreement in the manner as set forth in paragraph VIII hereof; provided, however, that termination of this agreement shall not terminate any sublicenses granted hereunder prior to the date of termination, nor shall it terminate the right of LICENSEE to thereafter to continue to receive thirty-three and one-third per cent (33½%) of all monies paid to LICENSOR from sub-

licenses entered into prior to the date of termination of this exclusive license agreement, and LICENSOR agrees to continue to pay to LICENSEE said thirty-three and one-third per cent $(33\frac{1}{3}\%)$.

VI.

LICENSOR agrees to notify any party within the geographical area of this agreement as to its infringement of U.S. Patent No. 2,544,246 within thirty (30) days after its receipt from LICENSEE of the name and address of the party believed to be infringing. In the event that LICENSEE has been unable to negotiate a satisfactory sublicense with any party so notified within a period of three (3) months after said written notice of infringement, LICENSOR agrees to institute suit for infringement of said U. S. Patent No. 2,544,246 against such infringer; provided, however, that if LICENSOR brings one suit for infringement of said U.S. Patent No. 2,544,246 against one infringer within the area of this agreement, further suits will not be required within the area of this license agreement until the final disposition of the first suit to the end that LICENSOR will not be required to prosecute more than one suit at a time. LICENSEE agrees to supply to LICENSOR a sample of any lens it believes to infringe along with prescription for lens and an invoice evidencing purchase of the lens from the party believed to infringe, as a condition to any duty to notify concerning infringement or bring infringement action. If LICENSOR institutes suit for infringement against any person, firm, or company within the area of this agreement after a request by LICENSEE to institute suit, then LICENSOR shall receive one hundred per cent (100%) of the amount recovered as past infringement damages from any such suit; however, any license to anyone sued under this provision for future manufacture, use, or sale

shall be subject to the terms and conditions hereof, and LICENSEE shall receive and be paid by LICENSOR thirty-three and one-third per cent (331/3%) of any such license as provided herein.

Subject to paragraph IIIA hereof, LICENSEE shall have sole and exclusive control and authority in negotiating and granting any sublicenses hereunder; provided that LICENSEE agrees and obligates itself that it shall not intentionally urge or suggest to prospective sublicensees the nature of the obligations, if any, which such prospective licensees may owe to others holding patents in the field of corneal contact lens.

VII.

The parties hereto specifically agree that this license agreement does not create any confidential or fiduciary relationship nor does it create nor is it intended to create a partnership between the parties. LICENSEE shall be responsible solely for its acts and expenses in negotiating and obtaining sublicenses hereunder and in its operations hereunder.

VIII.

If during the term of this agreement LICENSEE should (1) fail to pay to LICENSOR all royalties and monies in the manner as specified herein; nor (2) violate or fail to perform any other of its obligations under this agreement for a period of thirty (30) days after written notice of such violation or failure; or (3) be adjudicated a bankrupt or file a petition for an arrangement in bankruptcy or make an arrangement for the benefit of creditors or become insolvent or permit a receiver to be appointed of its business or assets, then and in any of such events, LICENSOR shall have the right and option to cancel this

agreement. Any termination of this agreement shall not affect the liability of LICENSEE to pay to LICENSOR all monies theretofore accrued and shall not affect the liability of LICENSOR to thereafter to continue to pay to LICENSEE thirty-three and one-third per cent (33\%) of all monies received by LICENSOR from this license and sub-licenses hereunder entered into prior to the termination of LICENSEE's exclusive license.

IX.

The failure of either party hereto to require performance of any provision hereof shall in no manner effect the right of either party to thereafter enforce the same. The waiver of either party of any breach of any provision hereof shall never be construed to be a waiver of any succeeding breach of any provision or of a waiver of the provision itself.

X.

This agreement shall remain in full force and effect until the expiration of Canadian Patent No. 487,880 or the expiration of U. S. Patent No. 2,544,246, whichever occurs later unless this agreement is terminated prior thereto under the provisions of paragraph VIII, and in such event, the payment of thirty-three and one-third per cent (331/3%) as provided in paragraph VIII shall continue until the last expiring of either the Canadian Patent No. 487,880 or U. S. Patent No. 2,544,246.

XI.

LICENSEE may not assign this agreement without the prior written consent of the parties hereto. This agreement shall be construed under the laws of the state of Texas.

XII.

In the event that LICENSOR should sell or transfer all or any part of his interest either in his United States patent or in his Canadian patent, LICENSEE shall have no claims whatsoever upon any compensation or consideration received by LICENSOR for such transfer or sale; provided, however, that such transfer or sale shall be subject to the terms and conditions of this license.

XIII.

This agreement is binding upon the heirs, administrators, devisees, legal representatives, and executors of the parties hereto.

XIV.

LICENSEE and LICENSOR agree that if a sublicense is entered into where a sublicensee has a branch or an office within another state not included in this license, then LICENSEE shall have the right to negotiate a sublicense for said other branch or office outside the geographical area of this agreement. LICENSOR agrees that it will, prior to granting any exclusive licenses to a third party in any of the other states of the United States east of the Mississippi, offer to LICENSEE in writing the opportunity to obtain an exclusive license in such state upon the same terms and conditions as this exclusive agreement in order that they may have the prior right of first refusal.

XV.

No other agreement, written or verbal, exists between the parties to this agreement respecting the subject matter hereof, and none of the terms or conditions of this agreement shall be held to have been waived, altered, or augmented except only by instrument in writing duly executed by both parties and attached hereto.

XVI.

The addresses of the parties hereto for all payments and written notices shall be:

LICENSOR: George H. Butterfield, Sr.

810 S. W. Ninth Avenue Portland 5, Oregon

LICENSEE:

James C. Dippery and

Jack R. Case

c/o Jack W. Hayden

Suite 1111, 500 Jefferson Building Cullen Center

Cullen Center

Houston 2, Texas

The above addresses may be changed by notice in writing from George H. Butterfield, Sr., and Jack W. Hayden or B. R. Pravel, respectively.

Witness our hands in multiple originals this 25th day of April, 1963.

GEORGE H. BUTTERFIELD, SR.

/s/ James C. Dippery JAMES C. DIPPERY

/s/ Jack R. Case JACK R. CASE

EXHIBIT A

LICENSE AGREEMENT

JAMES C. DIPPERY and JACK R. CASE warrant and represent that they have the right and authority to grant to the undersigned sublicensee hereinafter called "LICENSEE" a nonexclusive, nontransferable, nonassignable, and personal sublicense to make, use, and sell corneal contact lenses under United States Patent No. 2,544,246 and Canadian Patent No. 487,880 and each of them, subject to the following terms and conditions, said JAMES C. DIPPERY and JACK R. CASE sometimes hereinafter referred to as "LICENSOR".

- 1. Subject to the terms and conditions hereinafter set forth, LICENSOR hereby grants unto LICENSEE a non-exclusive, sublicense to make, use, and sell finished corneal contact lenses under said patents above identified and to make, use, and sell unfinished lenses to be subsequently finished under said patents above identified.
- 2. For other good and valuable consideration, the receipt of which is hereby acknowledged and in consideration for the rights granted herein, the undersigned LICENSEE hereby agrees to pay to the order of GEORGE H. BUTTERFIELD, SR., at 810 S. W. Ninth Avenue, Portland 5, Oregon, a royalty of Fifty Cents (50¢) for each lens sold hereunder and finished to embody any of the licensed subject matter or to be subsequently finished to embody any of the licensed subject matter. In this connection, LICENSEE agrees to render to LICENSOR at Suite 1111, 500 Jefferson Building, Houston 2, Texas and to GEORGE H. BUTTERFIELD, SR., at his above address on or before the fifteen (15th) day of each calendar month hereafter a written statement showing all corneal contact lenses sold hereunder during the last preced-

ing calendar month and to remit with each said statement to GEORGE H. BUTTERFIELD, SR., all royalties due and payable thereon at the hereinabove specified royalty rate. If LICENSEE shall default in making any royalty payment hereunder when due and if LICENSOR shall institute suit and obtain judgment therefor, LICENSEE agrees to pay to LICENSOR an additional sum in the amount of ten per cent (10%) of the total sum due as attorneys' fees.

LICENSEE further agrees to maintain complete and accurate records of all corneal contact lenses sold and to allow LICENSOR or his duly authorized representative from time to time and at various times to examine and copy said records at reasonable business hours for the purpose of checking the accuracy of any royalty statement. Said records shall show sufficient information to determine from an inspection thereof whether or not a corneal contact lens sold embodies any of the licensed subject matter and if any of said records shall fail to show such information as to any particular lens or lenses, then and in that event, said lens or lenses shall be deemed to embody the licensed subject matter.

3. If LICENSEE shall default in performing any obligation hereunder and shall fail to cure the default within thirty (30) days after LICENSOR shall have mailed to LICENSEE a written notice specifying the claimed default; or if LICENSEE shall be adjudged bankrupt or shall make an assignment for the benefit of creditors or if LICENSEE's business shall be placed in the hands of a receiver, LICENSOR shall have the right to terminate this license and agreement by mailing to LICENSEE written notice of his election so to do or LICENSOR may specifically enforce the provisions hereof.

- 4. LICENSEE shall not have the right to grant sublicense rights hereunder and shall not have the right to assign or transfer this license and agreement unless and until LICENSOR's written consent shall be first obtained.
- 5. Unless sooner terminated as hereinabove specifically provided, this license and agreement shall endure and

bind and benefit the	parties hereto, their heirs, successors,
and assigns through	out the term of the last expiring of
said United States a	nd Canadian patents.
	*
IN WITNESS W	HEREOF, the parties have signed
	the day of
	······,····
	JAMES C. DIPPERY
	JACK R. CASE
	JACK R. CASE
	LICENSOR
	•••••
	a corporation of
	*
	having its principal place of business
	at
	By
	Title
	LICENSEE
A 44 4	LICENSIE
Attest:	

Secretary	

EXHIBIT B

PAID UP AGREEMENT

JAMES C. DIPPERY and JACK R. CASE warrant and represent that they have the right and authority to grant to the undersigned sublicensee hereinafter called "LICENSEE" a nonexclusive, nontransferable, nonassignable, and personal sublicense to make, use, and sell corneal contact lens under George H. Butterfield, Sr.'s United States Patent No. 2,544,246 and Canadian Patent No. 487,880 and each of them, subject to the following terms and conditions, said JACK R. CASE and JAMES C. DIPPERY sometimes hereinafter referred to as "LICENSOR".

- 1. Subject to the terms and conditions hereinafter set forth, LICENSOR hereby grants unto LICENSEE a non-exclusive, sublicense to make, use, and sell finished corneal contact lenses under said patents above identified and to make, use, and sell unfinished lenses to be subsequently finished under said patents above identified.

ments, this license shall become fully paid up until said respective patents shall expire and LICENSEE shall then become released and discharged from any claim of infringement of said patents and each of them subsequent to the date of this agreement. If LICENSEE shall default in the payment of any of said installments when due hereunder, then LICENSOR, at his option, may declare this license agreement terminated and payments made theretofore by LICENSEE to LICENSOR shall be allocated as royalties over a period coterminous with this agreement.

IT IS FURTHER MUTUALLY AGREED THAT

(a) The sum hereinabove provided to be paid by LI-CENSEE as consideration for this license has been calculated on the number of corneal contact lenses sold in LICENSEE's regular business during the past calendar year as represented by LICENSEE and is an estimate of the corneal contact lenses normally to be made and sold in LICENSEE's business to those who would ordinarily constitute his customers in the trade, subject only to normal growth thereof, during the remainder of the life of the licensed patents and, therefore, unless and until LI-CENSOR's written consent be first obtained, this license shall not inure or apply to any other corneal lens manufacturing business or concern which may acquire ownership or control of LICENSEE or of which LICENSEE may acquire ownership or control, or of which LICENSEE may become a division or part, or with which LICENSEE may become merged, consolidated, commingled or affiliated; provided, however, that, subject to the terms and conditions hereof, this license may be assigned to any bona fide successor to LICENSEE's entire business and good will, so long as said successor shall continue operation of LI-CENSEE's business separate and apart from any other corneal lens manufacturing business and subject to all the terms and conditions hereof; and

(b) That if LICENSEE shall be adjudged bankrupt or shall make an assignment for the benefit of creditors, this license may become terminated as of the occurrence of such event at the option of LICENSOR but such occurrence shall not relieve LICENSEE of payment to LICENSOR of all monies hereunder.

	WHEREOF, the parties have signed of the day of, 19
	JAMES C. DIPPERY
	•••••
	JACK R. CASE
	LICENSOR
	a corporation ofhaving its principal place of business at
	Ву
	Title
Attest:	

C	

EXHIBIT C

RELEASE

In consideration of the sum of \$ and other
good and valuable considerations paid by
to GEORGE H. BUTTERFIELD, SR., JAMES C. DIP-
PERY, and JACK R. CASE and each of them, their suc-
cessors and assigns, do hereby release and forever dis-
charge said and/or
its customers from all claims for past infringement with
respect to corneal contact lenses made, used, or sold prior
to the license agreement with JAMES C. DIPPERY and
JACK R. CASE executed simultaneously herewith.
JAMES C. DIPPERY
T. O.T. D. O. L. O.T.
JACK R. CASE
CTATE OF TEVAC
STATE OF TEXAS COUNTY OF HARRIS
· ·
BEFORE ME, the undersigned authority, on this day personally appeared JAMES C. DIPPERY and JACK R.
CASE, both known to me to be the persons whose names
are subscribed to the foregoing instrument and acknowl-
edged to me that they executed the same for the purposes
and consideration therein expressed.

Notary Public in and for Harris County, Texas

GIVEN under my hand and seal of office this

day of, 19......

PLAINTIFF'S EXHIBIT 110.

OOMS, McDOUGALL & HERSH

Attorneys at Law 135 South La Salle Street Chicago 3, Illinois

October 24, 1962

Irwin Panter, Esq. Panter, Nelson, Rothstein & Albert 10 South LaSalle Street Chicago 3, Illinois

Dear Mr. Panter:

You have consulted us for an independent opinion as to what The Plastic Contact Lens Co. should do by way of notifying its licensees of the terms on which the Butterfield litigation was recently settled.

In particular, your inquiry related to Paragraph 8 of Plastic's standard license agreement and how licensees' rights under that paragraph might be affected by the Butterfield settlement. You had in mind, of course, that Plastic, in consideration of Butterfield's release of Plastic's infringement liability, granted a paid-up license under the Tuohy patent to the Butterfield company and four Butterfield licensees that had been indemnified by Butterfield against liability for infringement of Tuohy.

In giving you my opinion on this question, it will be well at the outset to consider the terms of Paragraph 8; the text varies slightly from one license agreement to another, but in substance it reads like this:

LICENSOR agrees that in the event it should subsequent to the date of execution hereof grant a license to another person, firm or corporation under said Patent No. 2,510,438, or under any other United States Patent or application licensed hereunder upon terms and conditions more favorable than those here-

in accorded, except for the manner of settlement for past infringement, LICENSOR shall promptly offer LICENSEE the benefit of such more favorable terms and conditions, which upon acceptance shall be retroactive to the date that such more favorable terms and conditions were accepted by said other person, firm or corporation.

From the language of Paragraph 8 and the terms of the Butterfield settlement, three things are clear:

- (1) If the license which formed a part of the Butterfield settlement was in fact granted on "terms and conditions more favorable" than those provided in Plastic's standard license agreement, then Plastic is obliged to "offer" its licensees "the benefit of such more favorable terms and conditions".
- (2) The right of an eligible licensee to have its license thus revised is not automatic or self-executing; it comes into being only "upon acceptance" by such eligible licensee.
- (3) None of Plastic's licensees could possibly "accept" a license on the terms provided in the Butter-field settlement unless such licensee were in a position to offer Plastic the same or equivalent consideration as that which flowed to Plastic from Butterfield.

Since none of Plastic's licensees, so far as you are aware, has any claim for patent infringement against Plastic, it is most unlikely that any such licensee will be in a position to "accept" a revised license. Nonetheless, I believe it essential that Plastic notify all its licensees of the Butterfield settlement and "offer" to them the privilege of qualifying for a revised license if they can do so. I tender that advice because, under the law, a licensor which

fails thus to "offer" does so at the peril of having its omission held to be a breach of contract, should a court later determine, as to some particular licensee, that the terms of the new license would in fact have been more favorable. (Prestole Corp. v. Tinnerman Products, Inc. (6 Cir., 1959), 271 F.2d 146, 153-154).

When a licensor notifies its licensees of a new license, pursuant to a contract provision of the sort represented by Paragraph 8, any licensee as to which the new terms are "more favorable" must exercise its option to adopt the new terms within a reasonable time; otherwise it waives such right. (Harley C. Loney Co. v. Mills (7 Cir., 1953), 205 F.2d 219, 220).

As indicated above, I think it *very* unlikely that any of Plastic's licensees will be in a position to claim revised license terms by virtue of the Butterfield settlement agreement. Settlement of litigation involves complex factors that are difficult or impossible to assess in dollars. A company's action in granting license rights in consideration of settlement of litigation will not be deemed a grant on "terms... more favorable" unless so proved by persuasive evidence, the burden of proof in such event being on the licensee. (*Sbicca-Del Mac, Inc.* v. *Milius Shoe Co.* (8 Cir., 1944), 145 F.2d 389, 402-403).

Summing up, I recommend that a circular letter be sent to all of Plastic's licensees, giving them notice that paid-up licenses under the Tuohy patent were granted to Butterfield and the four then-existing Butterfield licensees in consideration of Plastic's being released from its contingent liability for infringement of the Butterfield patent. In the same letter, Plastic should state that it will give consideration to the claims of any of its licensees which consider themselves eligible for paid-up licenses on the same terms.

Should some licensee prove to have a bona fide claim against Plastic for patent infringement, of a magnitude comparable to that released by Butterfield, then such licensee would be entitled to release such claim in exchange for a paid-up license. Only a licensee so situated, however, would be in a position to do so.

With this letter I am returning to you the documentary materials which you submitted for my consideration. Should you desire further comment on any of the matters discussed herein, please telephone or write me.

Sincerely yours,

/s/ Dugald S. McDougall Dugald S. McDougall

DSMcD:WF Encl.

PLAINTIFF'S EXHIBIT 113

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HILLER Bldg. 4, Calif. 1933 This invention relates to a contact lens adapted to be applied to the human eye for the primary purpose of correcting deficient vision.

Heretofore contact lenses have been produced that have been made of either glass or synthetic resin plastics which have portions resting directly on the cornea of the eye with a supporting flange or border resting on the soleral portion of the eye or which have central portions arching over the cornea and which have flange or border portions designed to extend beyond the limbus of the eye. The optical correction has geen ground on that portion of the contact lens disposed over the cornea and fluids compatible with the eye tissue have generally been interposed between the lens and the eye. Such contact lenses have had a number of objections which have, either collectively or individually, retarded their general use. Among these objections are (1) the time and skill required to properly fit the lenses to the eyes of the patient; (2) the lack of comfort which prevents such contact lenses from being worn continuously longer than only relatively short times; (3) the development of the appearance of rainbows or halos, particularly around bright light sources and the clouding of the vision after the lenses have been worn for a relatively short time; and (4) the necessity of determining and then using fluids with the contact lenses which are compatible with the eye tissues of the user.

I have ascertained that one important source of these objections is occasioned by the fact that the contact lenses heretofore devised universally engage the scleral portion of the eye so that the pressure of the flange or border portion of the contact lens on the scleral portion not only applies objectionable pressure to the nerves in the eye but retards the normal blood flow through the veins in the scleral portion. The pressure on the nerves and the retarding of the normal blood flow is conducive to the development of irritation and is a principal reason for the appearance of the objection—

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l able rainbows, halos and cloudiness. The contact lenses heretofore 2 developed, even when removed for the purpose of resting the eye, do 3 not bring about immediate relief on removal and, due to the fact 4 that they cover such wide expanses of the eye, they must be fitted 5 with a relatively high degree of accuracy by one who is highly skill in this type of work. With the use of contact lenses which extend beyond the limbus portion the eye is almost completely covered and with the fluid sealing off all possibility of air and natural eye fluids the eye soon becomes exhausted.

An object of the present invention is to provide an im-11 proved contact lens which is characterized by the fact that when properly fitted to the eye of the person for which it was designed its maximum dimensions will be less than the dimensions across the limbus at the edges of the cornea. In the preferred arrangement, the contact lens embodying the present invention is smaller in size than the iris but larger than the maximum pupil opening. This is particularly true when the lens and the iris are considered along the horizontal meridian. When considered on the vertical meridian the lens may exceed the iris slightly but still should be within the limbus. In this manner as the lens normally does not engage the solera, the solera is exposed to air and natural eye fluids and is not subjected to the objections arising from pressures applied thereto.

A further important characteristic of the improved lens resides in the fact that although it is in the nature of a concavoconvex section of transparent material largely conforming in shape and size to the cornea of a given eye, the inside or concave surface actually is slightly flatter or may be regarded as having a slightly greater radius of curvature than the cornea. In this manner the lens may actually contact the cornea near the center of the lens 31 while the portions of the lens adjacent its margin are slightly spaced therefrom. This space affords an opportunity for the natural П eye fluids to enter and relieves pressure on the cornea. Although blinking of the syslids may displace the lens from over the cornea 31 temporarily so that its edges may extend across the limbus and even onto the sclera, the minimum contact between the lens and the cornea occasioned by this relation of curvatures is such as to reduce the irritation, if any is present at, to a minimum. 6

11 With the foregoing and other objects in view, which will 12 be made manifest in the following detailed description and specifically pointed out in the appended claims, reference is had to the accompanying drawings for an illustrative embodiment of the inven-75 tion, wherein:

Figure 1 is a vertical section on an enlarged scale through 17 the forward portion of a human eye illustrating a contact lens 18 embodying the present invention in applied position thereon:

Figure 2 is a front view in elevation of the contact lens 20 illustrated in Figure 1;

Figure 3 is a rear view in elevation of the same; Figure 4 is a front view in elevation of a slightly modi-23 fied form of construction; and

Figure 5 is a vertical section taken substantially upon the 25 line 5-5 upon Figure 4.

Referring to the accompanying drawings wherein similar 31 reference characters designate similar parts throughout, in Fig. 1 32 the lens of the eye is indicated at 10 over which there is the iris 11

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which defines the pupil 12. The cornea is generally indicated at 13 and the solera generally indicated at 14. The limbus portion which defines the solera from the cornea is indicated at 15.

The contact lens embodying the present invention consists of a concavo-convex section 16 of any suitable transparent or semitransparent material. This material may be optical glass or, in conformity with conventional practice, it may be a synthetic resin plastic of the type now generally being employed in the manufacture of contact lenses. The material in the usual situation may be perfectly transparent but in some instances it may be slightly darkened or tinted either for glare-reducing purposes or to enhance or modify the natural color of the iris 11 in securing desired cosmetic effects.

This section will, of course, vary in size and shape to conform to the particular eye to which it is fitted but in embodying the present invention it possesses the following characteristics. The maximum dimension such as the diameter of the lens is less than the corresponding dimension of the iris so that the margins of the lens when in the normal applied position are within the iris 11. How ever, the lens is not so small that it will not completely cover the pupil 12 when the iris 11 is in its fully opened position. may, therefore, be defined as to size as being within the limbus of the eye but beyond the maximum opening of the iris. Another characteristic of the lens is that it has a radius of curvature slightly greater than the radius of ourvature of the cornea to which it is applied or, in other words, the lens is slightly flatter on its concave side than the convexity of the cornea. In this manner the major portion of the contact between the lens and the cornea will occur near the center of the cornea or in the neighborhood of the location indicated at 17, whereas at the top and bottom of the lens, as well as at the two sides, there will be slight clearance spaces 18 and 19. I find it advisable to have a slight difference between

the radius of curvature of the concave side of the lens and the 2 convex surface of the cornes so as to reduce irritation. The clearance spaces 18 and 19, as well as the clearance spaces at the sides of the lens, enable the natural eye fluids to enter between the lens and the cornea which is, of course, desirable. The presence of this fluid in these clearance spaces probably contributes to the holding of the lens in place on the cornea such as by capillary 8 action. The optical correction may be ground either on the interior 9 or exterior surface of the lens 16 or both, and in some instances 10 the optical correction ground on the interior surface of the lens is 11 adequate to provide the clearance spaces 18 and 19. In other words, 12 the lens blank may initially have an internal radius of curvature 13 exactly conforming to the radius of curvature of the cornea but on grinding the optical correction on the interior of the lens its concave radius of curvature may be so altered thereby as to provide the 16 clearance spaces which are of adequate size. These clearance spaces need not be great and, for example, if the radius of curvature of 17 18 the cornea measures 7.8 millimeters the radius of curvature of the 19 concave side of the lens need only be 7.9 or possibly 8.0 millimeters.

I find it advantageous in the usual lens to bevel the concave surface adjacent the margins, as indicated at 20. When the lens is in applied position on the eye the eyelid, in blinking or closing thereover, will tend to disturb the position of the lens on the cornea Usually most of this disturbance is created by the upper eyelid which, on opening, may tend to lift the lens from the full line position shown in Fig. 1 to a dotted line position therein and, as illustrated in the dotted line position the lens may be temporarily shifted upwardly so that it has crossed over the limbus portion 15 and may even extend partially onto the solera 14. This displacement of the lens is usually only temporary and subsequent blinking or closing of the syelid will tend to restore the lens to its centralized position with relation to the cornea. As the limbus portion 15 usually protrudes

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alightly the internal bevel 20 facilitates the slipping of the lens 2 thereover so that when displacement of the lens does take place it 3 may occur without causing irritation. When the lens is returned to 4 the cornea in the course of subsequent blinking, it tends to 5 centralize itself thereon.

Any necessary correction may be ground on the surfaces of 7 the lens and in some instances the correction required is such that 8 the lens must be either relatively thick or have relatively thick margins. Where the lens is thick or has thick margins the external 10 or convex surface may be beveled as indicated at 21 to facilitate the passing of the conjunctiva of the eyelids thereover. Both bevels 20 and 21 should be relatively small and should be confined to the dis-13 tance between the maximum opening of the iris and the limbus portion 15 so that the user under no circumstances will look through a beveled portion of the lens.

In Fig. 4 a slightly modified form of construction is illustrated wherein the lens, instead of being circular in form, is slightly ovate or elliptical. The lens may be given any shape required to properly fit the size and shape of the cornea to which it is applied.

It will be noted from the above described construction that the improved contact lens is relatively simple. A feature of its construction resides in the fact that in its normal position shown in Fig. 1 no portion of the lens contacts the sclera and consequently the irritation generally produced when contact lenses are pressing against the sclera is entirely avoided. Furthermore, the prescribing of lenses of this character is greatly simplified. Whereas heretofore it has generally been necessary to form a mold of the eye to determine the size and shape of the cornea and the size and shape of the surrounding sclera, in the present construction the size and shape . of the sclera becomes relatively immaterial. The prescription for the required correction can be determined in the usual manner and the

1 corneal portion of the eye can then be measured both horizontally 2 and vertically by any conventional measuring instrument used for this 3 purpose. With the measurements of the cornea known both as to height, 4 width and radius of curvature and the required correction known, a lens manufacturer can easily fill a prescription for contact lenses with reasonable assurance that the lens will fit the patient properly. In so doing his skill and judgment may be required in determining 8 whether or not a lens blank having a larger internal radius of curvature than that of the cornea shall be used or whether the lens may 10 have the same internal radius of curvature and the correction ground 11 on the inside of the lens be relied upon to form these clearances. In the use of the improved lens it is unnecessary to try repeatedly and reject various solutions or fluids before wearing time can be gained inasmuch as no solution need be used at all with the present lens. However, in applying the lens embodying the present invention it is frequently advisable to moisten its surfaces so that at the time of initial application there will not be any discomforture particularly of the eyelids. No special fluid or solution is required for this purpose and ordinary water not harmful to the eye may be employed to moisten the lens. When the lens is worn its presence can rarely be detected. Even the bevels at the margins of the lens can rarely be detected due to the fact that they are within the iris portion, the edges of the lens particularly at the sides of the iris being backgrounded by the colored iris and to a large extent 24 undiscernible and although the lens at the top and bottom of the iris 25 projects or slides beyond the iris these portions are normally concealed by the upper and lower eyelids.

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I find that lenses of this character can be worn over prolonged periods of time - periods of twelve and thirteen hours of continuous use being not unusual - without causing objectionable irritation and without causing cloudiness or rainbow and halo effects which are frequently produced with the usual contact lens in very much

1 shorter periods of time.

I find it advisable to mark the lenses so as to be able to distinguish the lens for the right eye from the lens for the left eye and to indicate which side of the lens should be positioned uppermost and lowermost as the case may be. Such markings may be very small and when applied should be applied very close to the margin of the lens and if the lens is beveled they should be applied to a bevel.

ARD & MILLES 5 Central Hide. Angeles 14, Calif.

أبدره

Various changes may be made in the details of construction without departing from the spirit and scope of the invention as defined by the appended claims.

I claim:

- 1. A contact lens applicable to the cornes of the human eye consisting of a generally concavo-convex section of transparent material having a diameter slightly less than the diameter of the limbus of the cornes of the human eye but greater than the maximum pupil opening thereof.
- human eye consisting of a generally concavo-convex section of transparent material having a diameter slightly less than the diameter of the limbus of the cornea of the human eye but greater than the maximum pupil opening thereof, the inside surface of said section being characterized by having a curvature slightly flatter than the curvature of the cornea of the eye to which it is applicable.
- 3. A contact lens applicable to the cornea of the human eye consisting of a generally concave-convex section of transparent material having a diameter elightly less than the diameter of the limbus of the cornea of the human eye but greater than the maximum pupil opening thereof, said lens having a bevel formed thereon on the concave side thereof.
- 4. A contact lens applicable to the cornes of the human eye consisting of a generally concavo-convex section of transparent material, having a diameter silently less than the diameter of the limbus of the cornes of the human eye but greater than the maximum pupil opening thereof, said lens

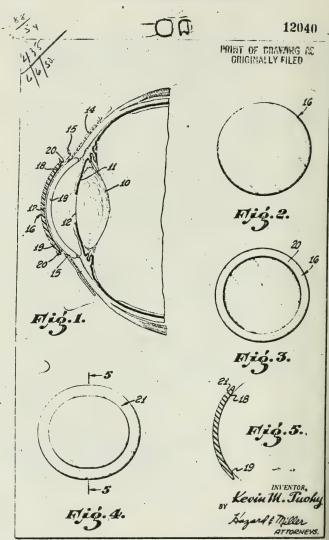
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having a bevel formed thereon on the concave side thereof, said bevel being also disposed wholly between the limbus portion of the eye and the maximum pupil opening.

- human eye consisting of a generally concavo-convex section of transparent material having a diameter elightly less than the diameter of the limbus of the cornea of the human eye but greater than the maximum pupil opening thereof, said lens being internally and externally beveled adjacent its margins.
- human eye consisting of a generally concave, convex section of transparent material having a diameter slightly less than the diameter of the limbus of the cornea of the human eye but greater than the maximum pupil opening thereof, said lens being internally and externally beveled adjacent its margins, both of said bevels being wholly disposed between the limbus portion and the maximum pupil opening of the eye to which it is applicable.
- 7. A contact lens applicable to the cornea of the human eye consisting of a generally convex section of trans
 parent or semi-transparent material, and characterized by being disposed wholly within the limbus of the eye to which it is applicable.
- 8. A contact lens applicable to the cornea of the human eye consisting of a generally convex section of transparent to cornea to corneal to the corneal to the corneal to the corneal to which it is applicable.

أوسعون

State of California, County of Los Angeles } State of California, In the County of Los Angeles State of California, and that he verily believes himself to be the original, first, and sole inventor of the improvements in. GONTAGT LENS described and claimed in the annexed specification; that he does not know and does not believe that the same was ever known or used before his invention or discovery thereof, or patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to this application; that said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States. (Applicant sign here)
State of California, County of Los Angeles } ss. KEVIN M. TUOHY the above named petitioner, being sworn, deposes and says that he is a citizen of the United States and resident of Los Angeles State of California, and that he verily believes himself to be the original, first, and sole inventor of the improvements in GONTAGT LENS described and claimed in the annexed specification; that he does not know and does not believe that the same was ever known or used before his invention or discovery thereof, or patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to this application; that said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
State of California, County of Los Angeles KEVIN M. TUOHY the above named petitioner, being sworn, deposes and says that he is a citizen of the United States and resident of Los Angeles in the County of Los Angeles State of California, and that he verily believes himself to be the original, first, and sole inventor of the improvements in GONTAGT LENS described and claimed in the annexed specification; that he does not know and does not believe that the same was ever known or used before his invention or discovery thereof, or patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to this application; that said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
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the above named petitioner, being sworn, deposes and says that he is a citizen of the United States and resident of Los Angeles in the County of Los Angeles State of California, and that he verily believes himself to be the original, first, and sole inventor of the improvements in CONTACT LENS described and claimed in the annexed specification; that he does not know and does not believe that the same was ever known or used before his invention or discovery thereof, or patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to this application, or in public use or on sale in the United States for more than two years prior to this application; that said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
United States and resident of Los Angeles
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or discovery thereof, or more than two years prior to this application, or in public use or on sale in the United States for more than two years prior to this application; that said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
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said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
an application filed by him or his legal representatives or assigns more than twelve months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
months prior to this application, and that no application has been filed by him or his representatives or assigns in any country foreign to the United States.
representatives or assigns in any country foreign to the United States.
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
(Applicant sign here)
Subscribed and sworn to before me this
24ch day of Ichresary, 1949
(Signature of Officer administering oath) Rockel & Olson
Notary Public in and for the County of Los Angeles, State of California. My Committion Price Describer 8, 1950



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DEPARTMEN COMMERCE
UNITED STATES PATENT OFFICE
WASHINGTON

Param No. 3
All communications respecting
this application should give the
seried number, does of filing
and same of the applicant.

ase find below a communication from the EXAMINER

tharge of this application. NDR/e ch

Lawrence Lo Kingeland

Hazard & Miller 706 Central Bldg. Los Angeles, Calif.

Division: 7
Applicants Kevin M. Thohy

Ser. No. Filed 12,040 Feb 25, 1945 CONTACT LIEUS

MAILED

NOV 9 1948

This application has been examined.

References made of record:

Obrig (Text) - Contact Louses - 1942 - Pub. by the Chilton Co. Philadelphia, Pa. - 470 pg. - pgs. 129 & 130

especially cited - Copy in Div. 7

The Optician (Prb.) "Migh Precision Contact Lenses" - Sept. 5, 1947 P. 1 encedally olted - copy in Division 7 - 88/54.5
end Published by The Hatton Frees Ltd. - 72-78 Fleet
St. - London, England - EC4

On allowance of a claim revision as to form may be

required (Order 5267).

Claims 1,/7 and 8 are rejected as substantially met by the Kalt contact lenses described on pages 129 and 130 of Obrig. It is obvious that the Kalt lenses could be employed for eyes maying corneal curves which are "sharper" than that of the inside

Claims 3, 4, 5 and 6 are rejected as unpatentable over the Kelt lenses (Obrig) taken especially in view of the Optician publication. The Kalt lenses either are provided with beveled edges as is conventional or obviously might be so provided especially in view of the Optician publication teachings. The extent of

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corneal coverage will be dependent upon the particular eye on which

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the lens is to be disposed and is of no patentable significance.

All claims 1 to 8 inclusive are rejected.

George Vanlin,

MOR.

Examiner



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#4

Paper No. 4

IN THE UNITED STATES PATENT OFFICE

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In re Application of KEVIN M. TUOHY Scrial No. 12,040 Filed Feb. 28,1948 For: CONTACT LENS

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Los Angeles 14, Calif. December 2, 1948

Commissioner of Patents

Washington 25, D.C.

Sir:

In response to the Office Action dated November 9, 1948, please amend the above-entitled application as follows:

Claims 1 to 6, inclusive, line 3 of each, after "material" insert -- ground to correct for visual deficiency and 4:

· Claims 7 and 8, line 3 of each after "material" insert

REMARKS

A reconsideration is respectfully requested for the claims in this case for the following reasons.

The principal reference relied upon by the Examiner is nothing more than the description of what appears to have been an abandoned experiment performed in Europe. It reads as follows:

"E. Kalt

"About the same time that August Muller was experimenting with contact lenses, an optician, E. Kalt, independently cerried on an investigation of his own. He ground some small lenses to correct keratoconus which had no scleral band, and rested at the

edge of the corner. They were designed to exert.some

pressure on the apex of the conus in an attempt to reduce
the ectasia as well as to correct the visual error. As might
be expected, they were unsuccessful.

Thus, the author Obrig correctly describes these experiments as being unsuccessful and the question presented here is briefly as follows:

The conducting of an unsuccessful experiment in Europe would obviously be no ber to the obtaining of a valid patent in the United States. It is well settled that an unsuccessful and abandoned experiment even if performed in the United States is no bar to the obtaining of a valid patent in the United States. It is also well settled that public use in a foreign country is not a bar to obtaining a valid patent in the United States. Manifestly, the conducting of an abandoned experiment in Europe could not bar the obtaining of a valid patent in this country.

The question then is: Is the publication of the Obrig book in this country describing the unsuccessful experiment by Kalt in Europe on a higher plane? In other words, if the unsuccessful experiment of Kalt itself would not be a bar whether performed in Europe or in this country, would the printed description of that unsuccessful experiment constitute a bar? It is respectfully submitted that it would not.

In order to constitute an anticipation a prior patent or a prior publication must disclose to the reader in adequately clear terms sufficient information so that the reader can manufacture the alleged anticipating structure. The description of the Kalt experiment merely informs the reader that if an optician should manufacture a small lens having no soleral band which will rest at the edge of the cornea and exert some pressure on the apex of the conus for the purpose of correct:

keratoconus that his lenses will be unsuccessful. The attention of the Examiner is respectfully directed to <u>Ingercoll v. Bethlehem Steel</u> Co., 15 U.S.P. %: 252,255:

"The question still is whether the prior publication is in such full, clear and exact terms as to enable any person skilled in the art to construct the invention to the same practical extent as he could be enabled to do if the information was derived from a prior patent. This is the rule laid down in Seymour vs. Osborne, 11 Wall 516,555, and followed in Cohn vs. U.S. Corset Company, 93 U.S. 366; Downtown vs. Yeager Milling Company, 108 U.S. 466; Rames vs. Andrews, 122 U.S. 40 and many other decisions."

In Balaban v.Polyfoto Corp., 55 U.S.P.Q. 141,145, the Court said:

"In addition to that, as the Burrows & Colton disclosure is
merely a publication, it is discredited under the rule that
an inoperative device (and the evidence shows that the device
was inoperative) disclosed in a printed publication cannot
anticipate a later operative device. Permutit Co. v. Harvey
Laundry Co., 279 F. 713,719 (C.C.A. 2)."

In Exparte Schwenk, Block and Whitman, 73 U.S.P.Q. 85, the Board of Appeals said:

"Isolated experiments found in the literature are insufficient to anticipate a complete process which they do not suggest and we find the literature references referred to in the specification of little help in this regard. We do not sustain this ground of rejection."

Therefore, it is respectfully submitted that the reference relied upon by the Examiner is insufficient to base a rejection upon for the purpose of rejecting the applicant's claims. First, there is no adequate disclosure; second, the disclosure is nothing more than a description of an inoperative device or unsuccessful experiment, and third, being nothing more than the description of an abandoned experiment it could have no greater anticipatory effect than the abandoned experiment itself. It simply does not teach adequately how to produce the applicant's lens.

Kalt's lens was intended to correct keratoconus, namely he merely proposed using the lens to press in a conical cornea to make it conform if possible to the spherical interior shape of the lens. To exert this pressure on the cornea and hold the cornea in the form of a sphere rather than in the form of a cone required some pressure on the apex of the conus and this pressure had to be obtained by having the edge of the lens grip on the edge of the corner. Manifestly, this action would not only prevent the flow of eye fluids over the cornea but would probably stifle blood circulation near the edge of the cornea. Kalt's lens consequently could not be worn for any / reasonable length of time. In the applicant's construction, on the other hand, as brought out in some of the claims the interior curvature of the lens has a greater radius than the radius of the cornea so that there will be a clearance space at 18 for the entry of eye fluids. Consequently, the eye fluids can continually wash over the surface of the cornes and they are in no way obstructed. Furthermon blood circulation is in no way hindered by the application of One fundamental distinction between the applicant's lens. applicant's lens and Kalt's resides in the fact that Kalt's lens "rested at the edge of the corner." In the applicant's lens the lens does not rest on the edge of the corner but instead has its center merely riding upon or supported by the center of the cornea allowing

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e eye fluids to enter between the cornea and the lens in the clearance ace at 18. This clearance space is probably one of the important atures that makes the applicant's lens a success whereas in Kalt ere the lens rested at the edge of the cornea failure necessarily llowed.

Another distinction brought out by the present amendment to e claims resides in the fact that in the applicant's lens the lens ground to correct for visual deficiency. In Kalt's lens apparently e lens was not ground to correct for nearsightedness or farsightedness t an attempt was merely made to correct keratoconus, namely the restorson of a conical cornea to its spherical shape. As far as the applicant ows, no one heretofore has devised a lens designed to cover the cornea ly and having no scleral band and which has a correction ground thereon correct a visual deficiency.

To demonstrate that the applicant's lens is a success as ntrasted with Kalt's unsuccessful experiment, there is transmitted rewith and filed herewith photostatic copies of a large number of wapaper articles, publications, and reprints pertaining to the plicant's lens. It is possibly an understatement to state that the plicant's lens which is being manufactured and distributed by lex Laboratories, has created considerable stir in ophthalmological rcles. However, of the exhibits transmitted herewith probably the st interesting is the letter of Byron Smith dated May 13, 1948, dressed to the applicant. For the Examiner's information Byron Smith an eye specialist and a practising K.D. in New York. The applicant informed that he is also a Fellow of the Royal Academy of Surgeons d served on the U.S. Surgeon's General Staff during the last war. This tter reads in part as follows:

"Dr. Vail also advised me of the research work at Columbia being carried out by the Army under the direction of Mr. Obrig

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and Dr. A.B. Reese. He suggested that I tell them of your discovery so that the Columbia project could be terminated and also the Army research fund transferred to you.

The Mr. Obrig referred to is the same Mr. Obrig who is the author of the reference on which the Examiner relies. Apparently the Columbia research work undertaken by Mr. Obrig and Dr. Reese relates to contact lenses. However, Mr. Obrig apparently was unable to gain any suggestion from his own book or his description of the Kalt experiment to enable him to solve the problem. According to Dr. Byron Smith, Dr. Vail of Northwestern University suggested that Mr. Obrig and Dr. Reese be informed of the applicant's invention and that Mr. Obrig and Dr. Reese discontinue all further efforts and save the Army money by discontinuing use of the Army research fund. We do not know how to establish with greater clarity that the reference cited by the Examiner is no anticipation than to show that its own author was unable to derive a suggestion therefrom as to how to construct the applicant's improvement.

Of the other letters enclosed herewith the Examiner will note the letter and telegram of Col. Austin Lowry, Jr. affiliated with the Army Medical Center at Walter Reed General Hospital. This officer states in his letter of September 13, 1948, that he was greatly impressed by the applicant's lens following a demonstration to the extent of asking for information and literature on it. Attention is also directed to the letter of Col. Victor A. Byrnes of the Air University School of Aviation Medicine at Randolph Field, Texas. The other letters and exhibits transmitted herewith are to a large extent self-explanatory, and constitute but a few of those received by the applicant or those associated with him that were recently shown to the attorneys of record. It is believed that considering these variou exhibits collectively that they will demonstrate that eye specialists distributed throughout the country who witnessed demonstrations in

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an Francisco, Chicego, and New York have generally been highly inthusiastic about the possibilities of the applicant's lens. With the attural conservatism of their profession they are now only waiting for the results of long tested usage 'efore placing their unqualified indorsement thereon. This long tested usage can only be secured with time but at present all indications are that the applicant's lens is lighly successful in contrast with the abandoned experiment of salt.

With respect to claims 3, 4, 5, and 6 a reconsideration is espectfully requested as each of these claims specifies that there is bevel formed on the concave side of the lens. This bevel is nearly s important to the success of applicant's lens as the feature of having he radius of curvature greater than the radius of curvature of the ornea. It facilitates the entry of the natural eye fluids between he lens and the cornea. The advertisement cited by the Examiner erely discloses a full or complete contact lens having a scleral band he edges of which are rounded. These rounded edges are primarily erely for the purpose of enabling the lens to be inserted in the ye without danger of cutting. The edges are too remote from the ornea to have any effect with respect to facilitating the entry of he natural eye fluids between the lens and the cornea, and in fact entact lenses having scleral bands universally have eye fluids upplied between the lens and the eye. It is respectfully submitted hat it is improper in rejecting these claims for the Examiner to ombine an admittedly unsuccessful or inoperative reference with another eference for an entirely different type of construction to work out a asis for rejection.

In conclusion, it is doubtful whether there is any application

in the United States Patent Office wherein in the course of less than one year the applicant can make a showing as herein made to the effect that the profession to which the invention relates is so highly impressed as in this case. It is believed that the Patent Office should consequently recognize the merit of this improvement by granting the claims herein submitted.

Respectfully submitted,

Attorneys of Record



Responsive to affidavits filed June 4, 1949.

Additional references made of record:

"Contact Lensel" (publication) by E. Freeman O. D. published in The Optometric Weekly; Feb. 28, 1946; p. 271 and 276 Copy in Division 7. The New Hambin-Dallop Contact Lans [pub] from p. 143 of "The Optician" April 1, 1938 Copy in Division 7; 88/54.5

Related Art

Linke 2,000,768 liay 7, 1937 88/54.5
Obrig (Text) "Contact Lenses" 1942 pub. by the Chilton Co., Phil.,
Pa. -470 pr. - prs. 370-373, inclusive on which is a translation of the French patent No. 805,592 Coop in Div. 7

Volle 722,059 May./903 Mar. 3, 1947 p-38/54.5

"The Design of Contact Lense" by Vincent Hill published in
"The Opticism" May 23, 1947 p-335 to 337, inclusive and p.
341 copy in Division 7 88/54.5

Claims 1 to 8, inclusive, are rejected as indefinite and not particularly pointing out invention. The claims call for a contact lens which is of a size smaller than that of the diameter of the cornea but no mention is made of the particular inside curves to be ground thereon with the possible exception of the broad recitation in claims 2 and 8 that said inner surface has a curvature flatter than the cornea to which it is applicable. Obviously a lens which has a deep inside curve and hence presents a large area (for fluid or air) and rests on the periphery of the lens (and hence the cornea) or one which contacts the center of the cornea only and radial thereto departs in a more or less tangential fashion from contact with the cornea (by reason of a very shallow curve as recited with respect to that of the

41 No. 12,040

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cornea) would not necessarily serve applicant's puspose or even be tolerable.

Claims 1, 2, 7 and 8 are rejected/unpatentable over Malt of record taken especially in view of Hamblin-Dallow (Obrig bot. p. 159, top p. 160) or Freeman above cited. Kalt shows it to be old to fashion a contact lens which is devoid of a soleral band. The Kalt lens apporently was designed for use in Keratocon'us however the 'daptation for conventional cases would not require invention being an expected extension of use. The Kalt lenses apparently had a blight central contact with the cornea in the rethologic cases (as was the general practice) and hence the inside curve was a slightly shallower than that of the cornea on which it rested as is the case in applicants device. The standard practice in the fitting of contact lenses involves cle rance of the limbal area as pointed out in the secondary references and this would necessitate bridging of this area in Aalt or disposition of the periphery of the lens entirely central to the limbal zone, as appears obvious. Additionelly, no invention is seen in omitting the scleral bandin the lense described by Freeman or those of Dallos (which are designed to contact about four-fifths of the cornea, bridge the limbus and hence are of slightly flatter curve than that of the cornea) especially in view of Kalt which shows this to be an old construction. . Applicants exhibits have been examined but are not persuasive as to the determination that a patentable advance has been negotiated.

Claims 3, 4, 5, and 6 are rejected as unpatentable over the references as applied above in the rejection of claims 1, 2, 7 and 8 especially in view of the Opticial publication of record. To merely provide the contact lenses of the references modified as suggested, with a beveled edge, a notoriously old expedient in the art, is not considered to involve invention, No. 12,040 .

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since no unexpected results would appear to obtain.

All claims, 1 to 8, inclusive are rejected.

This application should be prepared for final action. No further amendments that do not place the case in condition for allowance or better form for appeal will be entered after final action unless accompanied by a proper showing of good and sufficient reasons why they were not earlier presented. Rule 116 and Commissioner's Notice of April 26, 1948; 610 °C. G. 268.

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DIVISION 7 0CT 26 1949 AMERICANI

Paper No. 9

U. S. PATENT OFFICE
IN THE UNITED STATES PATENT OFFICE

APPLICATION OF
KEVIN M. TUOHY
SERIAL NO. 12,040

FILED FEBRUARY 28, 1948 For CONTACT LENS- Division (7)

--00000--

Los Angeles 14, California. October 21, 1949

Hon. Commissioner of Patents
Washington 25, D. C.

Sir:

In response to Office Action dated July 6, 1949, please amend the above identified application as follows:

Page 1, line 10, change "geen" to -- been -- .

Page 3, line 6, erase "at" .

Rewrite the claims in this case as follows:

comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency.

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Ser. No. 12,040

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comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency and having a bevel at its marginal edges on the concave side thereof.

11. The method of fitting a contact lens which includes determining the size of the cornea, its radius of curvature and the correction necessary to correct for visual deficiency and applying a concavo-convex lens which will lie wholly within the limbus portion of the eye and which has incorporated therein the correction for visual deficiency and which is characterized by having a radius of curvature on its concave side which is slightly greater than the radius of curvature of the cornea whereby the natural eye fluids may occupy the clearance space thus afforded between the concave side of the lens and the cornea.

12. The method of fitting a contact lens which includes determining the size of the cornea, its radius of curvature and the correction necessary to correct for visual deficiency and applying a concavo-convex lens which will lie wholly within the limbus portion of the eye and which has incorporated therein the correction for visual deficiency and which is characterized by having a radius of curvature on its concave side which is slightly greater than the radius of curvature of the cornea and which has its margins beyeled on

Ser. No. 12,040

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the concave side whereby the natural eye fluids may enter beneath the bevel and occupy the clearance space afforded by the difference in the radii of curvature of the concave side of the lens and the cornea.

Remarks

The claims have been re-written so as to present them in what is believed to be better form. Fred H. Miller, of the attorneys of record, wishes to acknowledge with appreciation the interviews courteously granted in connection with this case during the first ten days of August, 1949, by the Examiner in charge of this application, the Chief Examiner of Division 7, and the Associate Examiner, Mr. Gonzales (we are not sure of the name of the latter Examiner).

In the course of these interviews it was believed that a claim which included the bevel on the marginal edges on the concave side of the lens was clearly allowable over the prior art in that it defined a lens structurally different from any lens in the prior art. In the course of the interview between the Examiner in charge of this case, Fred H. Miller, and Mr. Gonzales, it was thought that a claim drawn to the method of fitting the lens should probably be allowable. However, it was suggested that the application be re-filed in order to point up the method of fitting in the specification. On careful reconsideration of the application and a discussion between Fred H. Miller of the attorneys of records and the applicant, it is believed that the re-filing of the application is unnecessary. The devices for measuring the radius of curvature of the cornea are well known and are conventional. The present specification makes adequate reference to the method of fitting

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Ser. No. 12,040

to support claims of the character herein presented as claims 11 and 12. Thus, as stated at the bottom of page 6 the prescription for the required correction can be determined in the usual manner and the corneal portion of the eve can be measured both horizontally and vertically by any conventional measuring instrument used for this purpose. The specification goes on to say that with the measurements of the cornea known both as to height, width and radius of curvature and the required correction known, the lens manufacturer can then fill the prescription. In so doing he is intended to follow the . construction previously described in the specification, namely, to select or prepare a generally concavo-convex lens which will have an internal radius of curvature slightly greater than the radius of curvature of the cornea which has been measured. Such a lens will either have a size such that it will lie within the limbus portion or it will be made to have such a size. On this lens the correction to correct for visual deficiency will be ground as determined from the prescription obtained in the conventional manner. It may be that, as the natural eye fluids which enter between the lens and the cornea will themselves form a type of lens, a modification or alteration of the prescription ground on the lens will have to be made to compensate for the refraction of the lens formed by the natural eye fluids. This, of course, is to be assumed to be a part of the skill of the manufacturer or the person skilled in the art to whom the specification is addressed. However, if the application were to be re-filed as suggested by Mr. Gonzales, about all that could be done would be to describe how a prescription is obtained in the conventional manner by an optician or optometrist, how he would determine the radius of curvature using any one of several conventional opthomometers, and how he would measure the height and width of the cornea. These are all conventional 60

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Ser. No. 12,040

practices and it is not seen that anything would be gained by re-filing and describing these conventional practices over or above what is already set forth at the bottom of page 6 and the top of page 7 of the present specification. For this reason method claims 11 and 12 are presented herein as it is believed that they can be made in the present application and should be found allowable.

There remains for consideration claim 9. The Examiner in charge of this application, in the course of the interviews. expressed himself as being of the belief that such a claim as claim 9 could not be found allowable because it does not define a structure except with relation to the dimensions of the eye to which it is applied. This is true but it is believed that the present case presents a rather unique situation and that because of the unique situation a claim of the type of claim 9 should be found allowable. In a case of this character it is difficult to positively say whether the invention really resides in the production of the lens that will fit the eye or whether the invention resides in the method of fitting. The Examiners that were interviewed seem to be of the opinion that the invention resided more in the method of fitting. They may be right. On the other hand, their decision is not final. In other words, a court in an infringement suit might take a different attitude from that of the Examiners, namely, that the invention resides in the lens itself made to fit an eye and having certain structural requirements with relation to the eye to which it is applied. The applicant herein should not have his position jeopardized merely because the Examiners in charge of the application are of one opinion whereas a court in an infringement suit might have a different opinion. It is believed that the applicant herein certainly has made an invention and the record already adequately establishes that the optical world has been considerably disturbed by this improve-

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ment. This being the case it is believed that in all fairness to the applicant, claim 9 should be allowed as well as claims 11 and 12. If a court in an infringement suit should agree with the Examiners that the invention really resides in the method rather than in the article, such a court can sustain claims 11 and 12 and hold claim 9 invalid. No harm is done to the applicant herein nor is any harm done to the public or to the infringer. On the other hand, if the court should be of a different opinion from that of the Examiners and take the position that the invention resides in the lens made up as it is with relation to the eye rather than in the method of fitting, then the rights of the applicant herein are preserved. The court under such circumstances could sustain claim 9 and hold claims 11 and 12 invalid. No harm is done to the public nor to the infringer. But if the Examiners adhere to their present position that claim 9 should be rejected and claims 11 and 12 only allowed, then the applicant herein may suffer grievous injury if a subsequent court should hold that the invention really resided in the article defined by claim 9 instead of in the method of fitting. It is well settled practice that where an application is presented to the Patent Office wherein reasonable doubts arise, all doubts shall be resolved in the applicant's favor. This salutary practice arises from the fact that subsequent reviewing courts do not always follow the holdings of the Examiners. It is believed that a reasonable doubt exists here of whether the invention resides in the article or in the method and the Examiners should resolve these doubts in the applicant's favor. In so doing all of the applicant's rights will be preserved. However, if the applicant herein is forced to accept the allowance of only claims 10, 11 and 12. some of his rights may become irretrievably lost particularly if a reviewing court takes a different position from that heretofore expressed by the Examiners.

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The constructive criticism and suggestions made in the course of the interviews above mentioned have been distinctly appreciated and if the Examiner should have any further suggestions to make they will be more than welcome.

A reconsideration and an allowance is accordingly respectfully requested.

Respectfully submitted,
HAZARD & MILLER

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OISION 7

Paper No. 11

Letter #

U. S. PATENT OFFICE

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IN THE UNITED STATES PATENT OFFICE

In re Application of KEVIN M. TUOHY Serial No. 12,040

SUPPLEMENTAL AMENDMENT

Filed February 28, 1948

CONTACT LENS

Los Angeles 14, Calif., March 1, 1950.

Commissioner of Patents

Washington 25, D.C.

Sir:

During a visit to Washington, D.C. in the latter part of January 1950, by Fred H. Miller of the attorneys of record, reference was made in a short oral interview with the Examiner in charge of this application to a case appearing in the United States Patents Quarterly relating to claims defining structure with relation to human anatomy. Fred H. Miller promised to call the Examiner's attention to this case upon returning to California. The case referred to is Ex parte Jones, 84 USPQ 24, from which the following is quoted:

"The claims were rejected on the ground that they are deemed informal and indefinite. The basis for this position is that the claims recite the relation of many of the parts to each other through their relation to the patient's head, neck, face, or body. * * * * *We have examined the claims with care and we notice that it is sufficient to define the relation of the various parts if it be assumed that the head and neck of a human being defines a line passing centrally through the head and neck. With this line or axis

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Ser. No. 12,040

established for reference, the location of the various parts of applicant's clamp referred to in the claims may be established. This mode of definition is not as convenient to follow as one which is confined to the geometry of the clamp itself. However, it has long been the practice in the Patent Office, as will be seen by reference to the patents called to our attention by appellant, to permit devices for application to anatomy to be referred to normal anatomy to assist in defining the orientation of the parts.

We cannot say that this is improper. Admittedly directions and distances are not precisely determined in this matter (sic, probably manner), but this art does not ordinarily require the same precision as the machine tool art for example."

Respectfully submitted,

Afria H. Willer



Paren No. 10

, find below a communication from the EXAMINER args of this application.

DR/ech

Hazard : killer 700 Central Didg. Los Angeles, Calif. John a. Marzall

Disister 7 --- Room 7725
Applicant Levin L. Tuchy

Se. No. 12,040 Feb. 28, 1948 CONTACT LINS

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Responsive to amendment filed October 25, 1949.

Claims 11 and 12 are rejected on the ground that they involve matter for which there is no disclosure or teaching in the application as originally filed. These claims set forth a method of fitting contact lenses but such is brought to light for the first time, for a close reading of the objects of invention or specification and claims of the original application fail to reveal a teaching of a new method. Although applicant contends the various steps of "determining the size of the cornea, its radius of curvature and correction necessary" are conventional in a complete examination, of the eyes, still it would appear obvious that if such procedure constituted a novel approach or concenitant to the fitting of contact lenses it would of necessity constitute a part of the disclosure, which is not the case here.

Claims 1 to 8 inclusive have been cancelled. Claims 9 and 10 are considered allowable. Claims 11 and 12 are rejected. Applicant about prepare for final action.

Examiner

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AMERICAN PROPERTY

DIVISION 7

APR 25 1950 Paper No. 11

U. S. PATENT OFFICE

IN THE UNITED STATES PATENT OFFICE

Vin re Application of KEVIN M. TOOHY Serial No. 12,040 Filed February 28, 1948

CONTACT LENS

Room 7725

Los Angeles 14, Calif., April 18, 1950

Commissioner of Patents

Washington 25, D.C.

Sir:

In response to the Office Action dated March 8, 1950, please amend the above-entitled application as follows:

Cancel claims 11 and 12.

REMARKS

The above amondment is made to place the case in condition for allowance.

Cancellation of these claims, however, is not to be construed or interpreted as an abandonment thereof as the applicant is now contemplating filing a continuation-in-part application in which these claims may be presented.

Respectfully submitted,

Attorneys of Record

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Serial No. 12,040 Paper No. 13

REFERENCES CITED

The following references are of record in the patented file of this patent:

UNITED STATES PATENTS

 Name
 Number
 Date

 Volle
 722,059
 Mar. 3, 1903

 Linke
 2,009,768
 May 7, 1937

FOREIGN PATENTS

Commby Number Deter France 805,592 Aug. 31, 1936

OTHER REVERENCES

The New Hamblin-Dallos Contact Lens, (publication) / Vare 143 of

Obrig (Text) "Contact Lenses" # 1942, publication by the Chilton Co., Philadelphia, Pa., # Manes 370 to 373 inclusive pages 129 (2) 130

"Contact Lonsos," (publication) by B. Freeman 0.D., published in The Optometric Workly, February 28, 1946, pages 271 and 276 ...

"The Design of Contact Lenses" by Vincent Hill-spublished in "The Optician", Nay 23, 1947, rages 335, 336, 337 and 341

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REFERENCES CITED

The following references are of record in the patented file of this patent:

UNITED. STATES PATENTS

Olice Delice Children

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POREIGN PATENTS

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OTHER REFERENCES

The Optician (fub.) "High Precision Contact Lenses" / Sept. 5, 1947, - Fublished by the "atton Press Ltd., 72 to 78 Fleet Street, London, England EC4, / face 1 (*)

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NOTICE OF ALLOWANCE

The application for patent identified below has been examined and found allowable for issuance of Letters Patent.

APPLICANT

Kevin M. Tuchy, Assor.

TITLE OF INVENTION OR IMPROVEMENT

CONTACT LENS

SERIAL NO. FILING DATE 12,040 Feb. 28, 1948 NUMBER CLAIMS ALLOWED

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With the allowance of the application the final fee becomes due. This fee is thirty dollars (\$30) plus one dollar (\$1) for each claim allowed in excess of twenty (20) and must be paid within 6 months from the date of this notice. Failure to remit the final fee will result in the patent being withheld from issue. In remitting this fee identify the application to which it applies by giving the following information: Name of inventor, title of invention, serial number, date of filling, date of allowance, and it assigned, the names of the assignees. The final fee will not be received from anyone other than the applicant, his assignee or attorney, or a party in interest as shown by the records of the Patent Office.

If it is desired to have the patent issued to an assignee or assignees an assignment containing a request to that effect, together with the fee for recording the same, must be filled in this Office on or before the date of payment of the final fee.

The patent will be issued and forwarded approximately 4 weeks after receipt of the final fee.

By direction of the Commissioner.

J.E. Gonsalves Examiner.

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PLAINTIFF'S EXHIBIT 117 (Excerpts)

(Illustrative License Agreements Under The Butterfield Patent)

a. Butterfield-Titmus Agreement

THIS LICENSE AGREEMENT, Made and entered into this 8th day of December, 1959, by and between GEORGE H. BUTTERFIELD, of Portland, Oregon, hereinafter referred to as "Licensor", and TITMUS OPTICAL COMPANY, INCORPORATED, a corporation organized and existing under the laws of the State of Virginia, hereinafter referred to as "Licensee".

WITNESSETH:

WHEREAS, Licensor is the owner of the full right, title and interest in and to that certain invention described in United States Letters Patent No. 2,544,246, granted March 6, 1951, for corneal contact lens, and has full power and authority to grant thereunder the license hereinafter set forth; and

WHEREAS, Licensee desires to obtain a non-exclusive and indivisible license under said patent to manufacture and sell corneal contact lenses covered by said patent; now, therefore, in consideration of the sum of Ten Dollars (\$10.00) in hand paid by Licensee to Licensor, the receipt whereof is hereby acknowledged, and of the payments to be made as are hereinafter provided, and of the covenants and agreements to be performed, it is agreed:

1. LICENSE:

Licensor hereby grants to Licensee a non-exclusive and indivisible license to make, use and sell licensed units, as said term is hereinafter defined, embodying the inventions disclosed and claimed in United States Patent No. 2,544,

246, upon the terms and conditions hereinafter set forth. It is understood that Licensor has granted other non-exclusive and non-transferable licenses under the described patent and that he does reserve the right to grant further revocable, non-exclusive, indivisible and non-transferable licenses under said patent.

2. LICENSED UNIT:

Without purporting or intending either to enlarge or to restrict the claims of the patent herein licensed, and solely for the purpose of simplifying and facilitating the transactions of the parties hereunder, a "licensed unit" is hereby defined as a concave-convex corneal contact lens which has

- (a) a central area having an inner spherical surface and
- (b) a marginal portion encompassing the said central area, having an inner surface formed on a curve different from that of the inner surface of the central spherical area,

the said lens being adapted to provide throughout its entire inner surface uninterrupted clearance between the lens and the cornea over which it is to be positioned.

3. PAYMENTS:

(a) Licensee agrees that, for the term of the license, it will pay Licensor a royalty of five per cent (5%) of the gross sales price of all corneal contact lenses coming within the claims of the above-mentioned patent. Gross sales price for the purposes of this agreement is defined as total sales, less credit for returns and earned cash discounts. Payments shall be made quarterly, on or before the 25th day of the month following the end of the quarter. The term of this agreement shall begin on April 1,

1960, and the first payment shall be due and payable on or before July 25, 1960. At the same time as the payment is made to Licensor, Licensee shall also deliver to Licensor a complete and accurate report of the gross sales price of the licensed units, and the number thereof, sold during the preceding quarter.

- (b) It is agreed that a licensed unit shall be deemed sold and the sum provided above shall be payable when the licensed unit has been delivered and billed to the purchaser.
- (c) Licensee agrees to keep true and accurate books of account containing all of the information required to be given in the statement to be provided Licensor, and to permit a qualified accountant to be paid by the Licensor to inspect the same at reasonable times during the usual business hours.

4. TERMINATION:

- (a) It is agreed that in the event Licensee shall fail to make the payments for which provision is above made, or shall fail to provide the reports required or shall otherwise fail to perform any obligation required to be performed, Licensor may, upon thirty days' written notice to Licensee of his intention to do so, terminate this agreement; provided, however, that if Licensee shall, within thirty days after the mailing of the notice to terminate, cure such default by payment to Licensor of all of the sums due to him as of the date of such payment and by providing the reports required to be provided to the date of such payment, and shall otherwise cure the default of which Licensee has been given notice, this license agreement shall continue in full force and effect.
- (b) Either party may terminate this agreement by giving to the other party thirty days' notice, in writing,

of his intention to terminate the agreement, provided Licensor may not terminate this agreement so long as Licensee performs all of his obligations as set forth in paragraph (a) above, and, in addition thereto, pays to Licensor a minimum royalty of Three Hundred Dollars (\$300.00) per quarter on or before the 25th day of the month following the end of the quarter.

(c) Termination of the license by Licensor or by Licensee shall not release Licensee from the obligation to pay to Licensor all unpaid sums which have accrued prior to the date of termination, and such termination shall be without prejudice to any right or remedy which Licensor may have for violation of this agreement.

5. VALIDITY OF LICENSEE:

Licensee admits for the full term of this license the validity of the patent above described and agrees that he will not for the term of this license dispute or contest the validity of such patent or the novelty or utility or patentability of the subject matter thereof or the title thereto of Licensor, nor directly nor indirectly assist any other person contesting the validity and/or title of said patent, and that such patent shall throughout the term of this license be deemed to be in force and valid. In the event that the licensed patent is held invalid, or its scope determined as not comprehending a lens made in accordance with this license by a Court of competent jurisdiction from which no further appeal is taken, and if taken the decision below is affirmed or the appeal refused, the obligation to pay royalties under this agreement shall cease.

6. RESTRICTION OF LICENSE:

The license hereby granted is restricted to the corneal contact lens and to the structural and physical character-

istics hereinbefore defined and covered by the claims of said patent, and Licensee shall have similar rights or privileges in any other patent or improvement now or hereafter made in corneal contact lens by Licensor without payment of additional royalty; where Licensor acquires rights in any patent or improvement in corneal contact lens, he will offer the same to Licensee under reasonable terms to be agreed upon by Licensee and Licensor. Licensee shall give suitable notice of this license by inserting in its advertising and on labels, or otherwise associating with the package containing the licensed units, whereever possible, the legend Pat. No. 2,544,246, or a notice as provided in Section 287 of the Patent Laws.

7. PROTECTION OF LICENSEE AND ITS CUSTOMERS:

Licensor agrees that, in the event Licensee or any of its customers are threatened with patent infringement, or sued for patent infringement, by reason of the manufacture and sale of lenses in accordance with this license, he will defend, at his expense, the Licensee or its customers, and will pay any recovery awarded by a Court for such patent infringement; provided (a) he is promptly notified of any threat or suit for patent infringement, and (b) that Licensee and its customers conform to the licensed patent and the terms of this license as to the structure and fit of the lens made and sold by them. Licensee will continue to pay royalty in the event it or its customers are threatened or are sued for patent infringement, until such patent infringement suit is finally decided, and if Licensee or a customer is enjoined, Licensee will be released from payment of further royalty hereunder.

8. Any notice required by this agreement to be given may be delivered in person or deposited in the United States Mail, postage prepaid, addressed as follows:

If to Licensee: Titmus Optical Company, Incorporated

1015 Commerce Street Petersburg, Virginia

If to Licensor: 810 S. W. 9th Avenue Portland 5, Oregon

- 9. This agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties thereto, but shall not be assignable by Licensee except in connection with the transfer of the entire business and good will of Licensee as it is related to the manufacture and/or sale of corneal lenses.
- 10. In the event the aforesaid patent is infringed by parties, not licensees, Licensor and Licensee will consult and take appropriate action to protect their respective interests.

IN WITNESS WHEREOF, George H. Butterfield has signed and sealed this agreement, and Titmus Optical Company, Incorporated, has caused its name to be signed hereto by B. T. Kinsey, Jr., its Vice-President, and its corporate seal to be affixed hereto and attested by Willis W. Bohannan, its Secretary, both of whom are duly authorized, all as of the day, month and year first above written.

/s/ George H. Butterfield (SEAL) George H. Butterfield

TITMUS OPTICAL COMPANY, INCORPORATED

By: /s/ B. T. Kinsey, Jr. Vice-President

ATTEST:

/s/ Willis W. Bohannan Secretary

(b) Butterfield—Crown Agreement

THIS LICENSE AGREEMENT made and entered into this 1st day of May, 1960, by and between George H. Butterfield, of Portland, Oregon, hereinafter referred to as "Licensor", and Crown Contact Lens Corporation, organized and existing under the laws of the State of California, hereinafter referred to as "Licensee".

WITNESSETH:

WHEREAS, Licensor is the owner of the full right, title and interest in and to that certain invention described in United States Letters Patent No. 2,544,246 granted March 6, 1951, for corneal contact lens, and has full power and authority to grant thereunder the license hereinafter set forth; and

WHEREAS, Licensee desires to obtain a non-exclusive, revocable license under said patent to manufacture and sell corneal contact lenses covered by said patent; now, therefore, in consideration of the sum of \$10.00 and of the payments to be made as are hereinafter provided, and of the covenants and agreements to be performed, it is agreed:

1. License:

Licensor hereby grants to Licensee a non-exclusive, revocable, indivisible and non-transferable license to make, use and sell licensed units, as said term is hereinafter defined, embodying the inventions disclosed and claimed in United States Patent No. 2,544,246 upon the terms and conditions hereinafter set forth. It is understood that Lessor has granted other non-exclusive, indivisible and non-transferable licenses under the described patent and that he does reserve the right to grant further revocable, non-exclusive, indivisible and non-transferable licenses under said patent.

2. Licensed Unit:

Without purporting or intending either to enlarge or to restrict the claims of the patent herein licensed, and solely for the purpose of simplifying and facilitating the transactions of the parties hereunder, a "licensed unit" is hereby defined as a concave-convex corneal contact lens which has

- (a) a central area having an inner spherical surface and
- (b) a marginal portion, encompassing the said central area, having an inner surface formed on a curve different from that of the inner surface of the central spherical area,

the said lens being adapted to provide throughout its entire inner surface uninterrupted clearance between the lens and the cornea over which it is to be positioned.

3. Payments:

- (a) Licensee has paid the sum of Ten Dollars, (\$10.00) to Licensor coincident with the execution of this agreement, receipt whereof is acknowledged.
- (b) Licensee agrees that, for the term of the license hereinabove granted, they will pay to Licensor the sum of Fifty Cents (.50¢) for each licensed unit above described manufactured and sold by them either in finished or semifinished form. Payments shall be made monthly on or before the 15th day of the month following the month in which the licensed unit was sold. At the same time as the payment is made to Licensor, Licensee shall also deliver to Licensor a complete and accurate report of the licensed units sold during the preceding month.
- (c) It is agreed that a licensed unit shall be deemed sold and the sum provided above shall be payable when

the licensed unit has been delivered and billed to the purchaser.

(d) Licensee agrees to keep true and accurate books of account containing all of the information required to be given in the statement to be provided Licensor, and to permit the authorized representative or representatives of the Licensor to inspect the same at any time during the usual business hours.

4. Assignment:

This license may not be assigned in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, without the written consent of Licensor.

5. Termination:

- (a) It is agreed that in the event Licensee shall fail to make the payments for which provision is above made, or shall fail to provide the reports required or shall otherwise fail to perform any obligation required to be performed, Licensor may, upon thirty days' written notice to Licensee of his intention to do so, terminate this agreement; provided, however, that if Licensee shall within thirty days after the mailing of the notice to terminate, cure such default by payment to Licensor of all the sums due to him as of the date of such payment and by providing the reports required to be provided to the date of such payment, and shall otherwise cure the default of which Licensee has been given notice, this license agreement shall continue in full force and effect.
- (b) Licensor may also terminate this agreement by giving Licensee not less than ninety days' notice in writing.
- (c) Licensee may, by giving thirty days' notice in writing to the Licensor, terminate this agreement.

- (d) Termination of the license by Licensor or by Licensee shall not release Licensee from the obligation to pay to Licensor all unpaid sums which have accrued prior to the date of termination, and such termination shall be without prejudice to any right or remedy which Licensor may have for violation of this agreement.
- (e) Unless terminated sooner, as provided for herein, this license shall remain in full force and effect for the life of the patent hereby licensed.

6. Validity of License:

Licensee admits for the full term of this license the validity of the patent above described and agrees that they will not for the term of this license dispute or contest the validity of such patent or the novelty or utility or patentability of the subject matter thereof or the title thereto of Licensor, nor directly nor indirectly assist any other person contesting the same, and that such patent shall throughout the term of this license and for all purposes be deemed to be in full force and valid.

7. Restriction of License:

The license hereby granted is restricted to the corneal contact lens having the structural and physical characteristics hereinbefore defined, and Licensee shall not have any license rights or privileges whatsoever in any other patent or improvement now or hereafter owned or made by Licensor, and Licensee shall not be permitted, by virtue of this license, to use in any manner whatsoever the name "Butterfield" or any of the trade-marks which have heretofore been adopted by Licensor. Licensee, however, shall give suitable notice of this license by inserting in all receipts or invoices relating to licensed units the legend

"Manufactured under license under U. S. Patent No. 2,544,246" or words to that effect.

8. Notice:

Any notice required by this agreement to be given may be delivered in person or deposited in the United States Mail, postage prepaid, addressed as follows:

If to the Licensee Crown Contact Lens Corporation

160 N. Orange Grove Pasadena, California

If to Licensor: George H. Butterfield

810 S. W. Ninth Avenue

Portland 5, Oregon

The terms of this agreement shall be binding upon and shall inure to the benefit of the successors, assigns, heirs, and legal representatives of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

/s/ Geo. H. Butterfield LICENSOR

CROWN CONTACT LENS CORPORATION

/s/ Milton Charles May LICENSEE—President

(Seal)

ATTESTED BY:

/s/ Madeliene L. May Secretary & Treasurer

(c) Butterfield-Frontier Agreement LICENSE AGREEMENT

For valuable and adequate consideration, the undersigned GEORGE H. BUTTERFIELD, of Portland, Oregon, licensor, owner of United States Letters Patent No. 2,544,246 and Canadian Letters Patent No. 487,880, for corneal contact lens, and the undersigned Frontier Contact Lenses, Inc., A corporation existing under the laws of the State of New York of 2075 Kensington Avenue, Buffalo, New York, licensee, a lens manufacturer who desires a license under said letters patent, hereby agree as follows:

1. Subject to the terms and conditions hereinafter set forth, licensor hereby grants unto licensee a nonexclusive license to make, use and sell corneal contact lenses embodying the invention of said letters patent.

2. Licensee hereby agrees:

- a. to pay licensor a royalty of Fifty Cents (50c) for each corneal contact lens made and sold by licensee embodying the invention of said letters patent.
- b. to maintain complete and accurate records of all corneal contact lenses sold hereunder and to allow licensor or his duly authorized representatives to examine and make copies of said records at all reasonable business hours for the purpose of checking the accuracy of any royalty statement rendered hereunder.
- c. to deliver to licensor on or before the fifteenth day of each calendar month hereafter a written statement showing all said corneal contact lenses sold hereunder during the next preceding calendar month and to accompany each said statement with a remittance of all royalties due thereon at the hereinabove speci-

fied rate. A lens shall be deemed sold when delivered and billed to the purchaser thereof.

- d. to mark the containers of all corneal contact lenses sold hereunder with the numbers of said letters patent.
- e. in the event the licensee shall sell any of said corneal contact lenses in an unfinished state to be subsequently finished in accordance with the invention of said letters patent, licensee agrees to display on the envelope or container thereof the following printed notice:

"To be finished only in accordance with United States Letters Patent No. 2,544,246 and Canadian Letters Patent No. 487,800."

- 3. Licensor shall have the right to terminate this license and agreement by giving to licensee written notice of his election so to do only in either of the following events:
 - a. If licensee shall default in performing any obligation hereunder, and shall fail to cure the default within thirty days after licensor shall mail to licensee written notice specifying the claimed default.
 - b. If licensee shall be adjudged bankrupt, or shall make an assignment for the benefit of creditors, or if licensee's business shall be placed in the hands of a receiver.
- 4. Licensee shall have the right to terminate this license and agreement by giving to licensor written notice of its election so to do in the event either of said letters patent shall be declared invalid by a final judgment of a court of competent jurisdiction from which judgment no right of appeal or review remains.

- 5. Licensee shall not have the right to grant any sublicense rights hereunder, and this license may not be assigned or transferred by licensee without licensor's written consent being first obtained.
- Licensor hereby acknowledges full satisfaction and settlement of all claims which he may have against licensee for past infringement of said letters patent.
- 7. Unless sooner terminated as hereinabove specifically provided, this license and agreement shall endure and bind and benefit the parties hereto, their heirs, successors and assigns until expiration of said respective letters patent.

IN WITNESS WHEREOF, the parties have signed this agreement as of November 21, 1960.

/s/ Geo. H. Butterfield LICENSOR

/s/ Frontier Contact Lenses, Inc. LICENSEE

> by Allen A. Isen President

> > . . .

(d) Butterfield-Vision-Clear Agreement PATENT LICENSE AGREEMENT

Subject to the terms and conditions hereinafter set forth, the undersigned LICENSOR, owner of United States Patent No. 2,544,246 and Canadian Patent No. 487,880, hereby grants unto the undersigned LICENSEE a non-exclusive non-transferrable, non-assignable and personal license to make, use and sell corneal contact lenses embodying the inventions of said patents and each of them. In consid-

eration for said license the undersigned LICENSEE hereby agrees to pay to LICENSOR, or to LICENSOR'S order, the total sum of \$10,746.00, which said sum LI-CENSEE agrees to pay \$149.25 upon execution hereof and to pay the balance of said sum in equal instalments of \$149.25 each on or before the 15th day of each calendar month hereafter until said total sum shall have been paid. Upon the payment of the last of said instalments, this license shall become fully paid up until said respective patents shall expire, and LICENSEE shall become released and discharged from any claim which LICENSOR may have against LICENSEE for infringement of said patents and each of them prior to the date of this agreement. If LICENSEE shall default in paying any of said instalments when due and shall fail to cure the default within fifteen (15) days after LICENSOR shall mail to LICENSEE, at LICENSEE'S last known post office address, written demand therefor, then and in that event, at the option of LICENSOR, the entire unpaid balance of said total sum shall thereupon become due and payable and if suit shall be instituted for the collection thereof, LICENSEE agrees to pay reasonable attorneys' fees incurred in such suit if the judgment therein shall be favorable to LICENSOR.

IT IS FURTHER MUTUALLY AGREED THAT

(a) The sum hereinabove provided to be paid by LI-CENSEE as consideration for this license is based upon the estimated number of the licensed corneal contact lenses normally to be made and sold in and by LICENSEE'S present business, subject only to normal growth thereof, during the remainder of the life of the licensed patents and, therefore, unless and until LICENSOR'S written consent be first obtained, this license shall not inure or

apply to any other corneal lens manufacturing business or concern which may acquire ownership or control of LICENSEE or of which LICENSEE may acquire ownership or control, or of which LICENSEE may become a division or part, or with which LICENSEE may become merged, consolidated, commingled or affiliated; provided, however, that, subject to the terms and conditions hereof, this license may be assigned to any bona-fide successor to LICENSEE'S entire business and good will, so long as said successor shall continue operation of LICENSEE'S business separate and apart from any other corneal lens manufacturing business; and

- (b) That if, prior to the time and full sum hereinabove provided to be paid by LICENSEE as consideration for this license shall have been paid, the herein licensed United States Patent No. 2,544,246 shall be adjudged invalid by a final judgment of a Court of competent jurisdiction from which no appeal or petition for review or certiorari is pending or may be taken and if no other suit involving the validity of said patent shall then be pending, LICENSEE may, at such time, by written notice to LICENSOR, be relieved and discharged from paying the then unpaid portion of said consideration; and
- (c) That if LICENSEE shall be adjudged bankrupt or shall make an assignment for the benefit of creditors, this license shall become terminated as of the occurrence of such event.

IN WITNESS WHEREOF, the parties have signed this agreement as of the 10th day of November, 1962.

/s/ George H. Butterfield George H. Butterfield 810 S. W. Ninth Avenue Portland, Oregon

LICENSOR

VISION-CLEAR CORNEAL LENS
COMPANY, INC.
a corporation of UTAH
having its principal place of business
at SALT LAKE CITY, UTAH
BY /s/ Jos. L. Bruneni
Jos. L. Bruneni,

President TITLE



PLAINTIFF'S EXHIBIT 121—(Excerpt)

(Plastic's monthly gross royalty collections under Tuohy patent licenses)

1

1

		· -			
1961	January	-0-	1962	September	\$22,199
	February	\$ 5,957	1963	October	20,197
	March	15,398		November	24,162
	April	13,313		December	14,429
	May	16,337		Innuerr	16,080
	June	17,815		February	,
	July	18,558		March	15,903
	August	19,984			15,563
	September	19,240		April	15,871
	October	20,919		May	17,550
	November	16,384		June	19,452
	December	29,234		July	22,184
				August	22,368
962	January	20,710	1964	September	19,871
	February	15,514		October	21,892
	March	19,207		November	19,821
	April	31,329		$\mathbf{December}$	15,676
	May	22,204		January	15,498
	June	14,680		February	12,842
	July	21,889		March	14,484
	August	21,427		April	,
				-	16,368
				May	13,750

PLAINTIFF'S EXHIBIT No. 143G

August 7, 1962

CERTIFIED MAIL

Acrylic Optics Corporation 1926 First National Building Detroit, Michigan

Gentlemen:

From a copy of your prospectus which has come to the attention of our client, Dr. George H. Butterfield of Portland, Oregon, it appears that your newly formed corporation contemplates the manufacture and sale of corneal contact lenses which, from the description of the lens contained in the prospectus, appears to be a bi-curved or multi-curved lens which will infringe our client's United States Letters Patent No. 2,809,556, and our client feels it proper to place you upon notice that he intends diligently to enforce his patent rights and to demand that you refrain from infringing his patent.

Our client is granting and has for several years granted license rights under his patent either upon a paid-up basis or a per lens royalty basis.

It is noted from your prospectus that your corporation holds or will hold a license from the Plastic Contact Lens Company. That company also has held a license under our client's patent for several years. Also, it should be mentioned that, in settlement of patent litigation in the United States District Court for the District of Oregon between Solex Laboratories, Inc. and the Plastic Contact Lens Company, on the one hand, and Dr. George H. Butterfield, et al. on the other hand, a consent judgment was entered holding that Solex Laboratories, Inc. had infringed our client's said patent, as will all appear from the copy

of the Consent Judgment and the Stipulation as to Facts and Matters upon which it was based, enclosed herewith.

You should bear in mind that although you may hold a license under any other patent or patents, the license does not convey to you any right to make or sell the lens of our client's patent.

Will you be good enough to advise us promptly of your intentions in this matter?

Very truly yours, of MASON & GRAHAM

CM b Encs.

be: Dr. George H. Butterfield Mr. Rupert R. Bullivant

PLAINTIFF'S EXHIBIT No. 143F

(Letterhead of)
FENTON, NEDERLANDER, TRACY & DODGE

August 15, 1962

Collins Mason, Esq.
Mason & Graham
811 West Seventh Street
Los Angeles 17, California

Re: Acrylic Optics Corporation-Butterfield

Dear Mr. Mason:

We are general counsel for the Acrylic Optics Corporation. Dr. Golden forwarded your letter of August 7, 1962 to our office and we are happy that you called this matter to our attention.

Inasmuch as we are interested in obtaining all information with regard to your client's patent, I would appreciate if you would send me any and all information as to how and in what manner our client has infringed upon your client's patent. Naturally, it is not his intention to do so. If, after examination of all the facts, it is determined by our office that there is an infringement, it would immediately attempt to resolve this problem.

Thank you for your cooperation.

Sincerely,
/s/ R. Nederlander
Robert E. Nederlander

REN:sm

(Mail Receipt Stamp)
Received
Aug 16 1962
Mason & Graham

PLAINTIFF'S EXHIBIT No. 143E

August 27, 1962

Mr. Robert E. Nederlander Fenton, Nederlander, Tracy & Dodge 2555 Guardian Building Detroit 26, Michigan

Re: Butterfield Patent

Dear Mr. Nederlander

Replying to your letter of August 15, 1962. From his long experience in the corneal contact lens business, undoubtedly Dr. Golden is familiar with the Butterfield patent. However, we enclose a copy of his patent for your study.

Generally speaking, we believe you will find that the Butterfield patent covers a bi-curved or multi-curved lens made to be fitted substantially "on K".

Very truly yours, of MASON & GRAHAM

CM B Enc.

bc: Dr. George H. Butterfield, Sr.

Mr. Rupert R. Bullivant

PLAINTIFF'S EXHIBIT No. 143D

(Letterhead of)
FENTON, NEDERLANDER, TRACY & DODGE

August 30, 1962

Mr. Collins Mason Mason & Graham 811 West Seventh Street Los Angeles 17, California

Re: Butterfield Patent

Dear Mr. Mason:

Thank you for your letter of August 27, 1962 wherein you enclosed a copy of the Butterfield patent.

As you will recall, in my letter of August 15, 1962 I asked you to inform me as to how and in what manner our client has infringed upon your client's patent, namely, what is the specific basis for your claim that Dr. Golden has infringed upon the Butterfield patent? Is it your contention that the use of a bi-curved or multi-curved lens automatically infringes upon the Butterfield patent?

Naturally, we will be analyzing your client's patent but in addition I would appreciate if you would answer the above questions so that we can specifically pinpoint the areas in which your client claims we are infringing.

Thank you for your cooperation.

Sincerely,
FENTON, NEDERLANDER, TRACY & DODGE
By /s/ R. Nederlander
Robert E. Nederlander

REN:sm

CC: Dr. Donald L. Golden

PLAINTIFF'S EXHIBIT No. 143C

September 4, 1962

Mr. Robert E. Nederlander Fenton, Nederlander, Tracy & Dodge 2555 Guardian Building Detroit 26, Michigan

Re: Butterfield Patent

Dear Mr. Nederlander:

Replying to your letter of August 30th.

You apparently misunderstood our letter of August 7th because we did not say that your client had infringed the Butterfield patent. In fact, we did not have sufficient information to form an opinion as to wheter an infringement had actually occurred or was contemplated.

Our only information was that obtained from the prospectus of the Acrylic Optics Corporation, which indicated that its lens was to have a concave surface defined by more than one curve, and we believed it only fair to advise the new company in the beginning, so that it could avoid

infringement. We assumed, of course, that the new company would obtain and be guided by an opinion from its own counsel with respect to the Butterfield patent. We merely mention that the owner of the Tuohy patent is a licensee under the Butterfield patent, and that it had stipulated for judgment in the Portland action holding that its predecessor in interest, Solex, had infringed the patent, because we felt that its counsel would want to consider such information in arriving at their conclusion in the matter.

We would prefer not to express our own views as to the scope of the Butterfield patent because, as you of course know, in the final analysis that is something which only the courts can determine.

> Sincerely yours, of MASON & GRAHAM

CM B

bc: Dr. George H. Butterfield, Sr.

Mr. Rupert R. Bullivant

DEFENDANT'S EXHIBIT C (Excerpts)

IN THE UNITED STATES DISTRICT COURT For the District of Oregon

GEORGE H. BUTTERFIELD, SR., Plaintiff,

VS.

THE PLASTIC CONTACT LENS COMPANY, a corporation, Defendant.

Civil No. 63-294
PLAINTIFF'S
ANSWERS TO
DEFENDANT'S
FIRST
INTERROGATORIES

Plaintiff, George H. Butterfield, Sr., answers Defendant's first interrogatories, subject to all pertinent objections as to admissibility which may be interposed at time of trial, as follows:

INTERROGATORY NO. XIV.

Please give the name and address of all plastic contact lens manufacturers (with the name of the individual contacted) whom plaintiff contacted, either personally or by an agent or representative, by telephone or correspondence subsequent to the settlement of the prior litigation (with the approximate date of each such contact) for the purpose of soliciting such manufacturer to take a license under the Butterfield Patent.

SWER TO INTERROGATORY XIV.

ne and Address of Contac is Manufacturer Contacted		Approximate Date of Contact
umbian Bifocal Co. Portland, Oregon ramount Optical Co.	Joseph Scribe	November, 1962
eattle, Washington	Jasper Nigro	June, 1963
acon, Inc. ortland, Oregon lwest Scientific or	L. Campbell Dr. Ben Ritholz	May, 1962
holz Optical Co. hicago, Illinois	and Elmer Zwachel, Attorney	June, 1962
h-Tint Corp.		
ancouver, Washington on Contact Lens Lab.	Dr. A. Rich	October, 1962
Denver, Colorado	Dr. Caton	December, 1962
ntour Kontact tichmond, California	H. Gates and D. Ewell	June, 1962; January, 1963
ralite Co. Vallejo, California	Dr. Benn	January, 1963
rco Co. Jakland, California	Mr. Boyle	June, 1962
ntury Contact Lens Co. an Francisco, California k Optical Co.	Name not remembered	January, 1963
an Francisco, California	Dr. Eagle	January, 1963
Donald Bruckner an Diego, California J. Yoshida	Same person	January, 1963
⁷ isalia, California	Same person	January, 1963
-Con Co. Il Monte, California rurity Contact Lens Co.	Dr. S. Braff	January, 1963
os Angeles, California rthwest Northern Optical	Mr. Hernstein	January, 1963
leattle, Washington	Jasper Nigro	June, 1963

Name and Address of Contact Lens Manufacturer Contacted	Name of Individual Contacted	Approxima Date of Con
Muller-Welt Co. Chicago, Illinois	Joe Breger	June, 1962
Universal Contact Lens Co. of Houston Houston, Texas	James Dippery	April, 1963
Professional Contact Lens Co., Inc.	- ~ .	
Peoria, Illinois Professional Contact Lens Co.	Dr. Conlogue Name not	August, 196
Inglewood, California	remembered	October, 196
United Optical Co. Seattle, Washington	Paterson Bros.	June, 1963
Uricon, Inc. Los Angeles, California	J. Urbach	May, 1962
W.R.S. Contact Lens Lab. New York, New York	Mr. Rhine	March, 1964
Precision-Cosmet Co. Minneapolis, Minnesota	Al Anderson	Several time
Professional Contact Lens Co. Portland, Oregon	J. Satterly	May, 1962
Dr. James Goldberg Norfolk, Virginia	Same person	June, 1962
Dr. Adolph Lombard Norfolk, Virginia	Same person	June, 1962
Obrig Laboratories, Inc. Sarasota, Florida	Phil Salvatori	June, 1962
Central Laboratories	Dr. Robert Lookabaugh	December, 1
Lincoln, Nebraska Vision Clear, Inc.	•	
Salt Lake City, Utah	Joe Bruneni	November, 1
Los Angeles, California	Same person	May, 1962
Global Contact Lens Co. Miami, Florida	Mr. Cotes, Attorney	April, 1963

me and Address of Contact is Manufacturer Contacted	Name of Individual Contacted	Approximate Date of Contact
l Optical Co. Denver, Colorado	James Kuhn	December, 1962
aranteed Contact Lens Co. Iew York	L. Seidner	June, 1962- June, 1963
nker Wohlk Co. Iew York H. Silverman	Fred Danker	June, 1962
Tew York	Same person	June, 1962
iable Contact Lens, Inc. rooklyn, New York	Name not remembered	June, 1962
ntact Lens Co. of America Denver, Colorado	Name not remembered	June, 1962
Neefe Big Springs, Texas	Same person	March, 1963
Neal Genevay Vew Orleans, Louisiana	Same person and his attorney	February, 1963
ntour Comfort Contact Lens Vaco, Texas	Dr. Bradsky and H. Gerdes	March, 1963
Marvice Nelson Pasco, Washington	Same person	July, 1962
ofessional Eye Products eattle, Washington iversal Contact Lens	Ron Davis	July, 1963
Dallas, Texas	Matt Franz	January, 1963
n Battieger, Jr. Iiami, Florida	Same person	October, 1962
hn Optical Laboratories Denver, Colorado	Mr. Kuhn	May, 1963
lliam Simpson Anchorage, Alaska rn Dalweg	Same person	April, 1963
Bremerton, Washington	Same person	June, 1963
H. M. Rosenwasser Philadelphia, Pennsylvania	Same person	December, 1962

Plaintiff also published advertisements in the Optometric Weekly.

Plaintiff calls attention to the circumstance that in Defendant's First Interrogatories the Plaintiff is referred to as "George H. Butterfield, Jr." In fact, the correct Plaintiff in this case is George H. Butterfield, Sr., and the true Plaintiff, George H. Butterfield, Sr., is making these answers to Defendant's First Interrogatories. These answers are not made by the individual whose true name is George H. Butterfield, Jr., the son of the actual Plaintiff herein.

/s/ George H. Butterfield, Sr. George H. Butterfield, Sr.

STATE OF OREGON COUNTY OF MULTNOMAH SS

I, GEORGE H. BUTTERFIELD, SR., being first duly sworn, depose and say that I am the Plaintiff herein and that the foregoing Answers to Defendant's First Interrogatories are true as I verily believe.

/s/ George H. Butterfield, Sr. George H. Butterfield, Sr.

Subscribed and sworn to before me this 5th day of May, 1964.

/s/ Ruth E. Wilhelm Notary Public for Oregon My commission expires October 28, 1966

DEFENDANT'S EXHIBIT Q

October 2, 1962

Mr. Elliott I. Pollock Moore, Hall and Pollock 1200 Eighteenth Street, N. W. Washington 6, D. C.

Re: Contact Lenses

Dear Mr. Pollock:

I have your letter of September 28th, and enclose two copies of Dr. Butterfield's paid-up license form, which I think more or less answers all your questions.

Of course, I do not know who the licensee is for whom you are inquiring, or how many lenses it has sold in the past, but I can tell you generally the basis upon which Dr. Butterfield arrives at the sum to be paid for a paid-up license and a release for past infringement:

He estimates the number of lenses to be sold hereafter until the end of the term of the patent (about six years) by taking the average number of lenses which the licensee has sold in the past two years, and considers that it will probably sell an equal number of lenses per year during the remaining life of the patent. Then, instead of his regular per lens royalty of 50 cents, which he charges for a license of a per-lens basis, he makes the royalty $37\frac{1}{2}$ cents per lens for the paid-up form of license because thereby he saves accounting expenses.

In other words, to state an example, if during the past two years your client has sold an average of 4,000 lenses per year, he would figure that during the next six years they would sell 24,000 lenses, which, at 37½ cents per lens, would be \$9,000.00, which would be the paid-up sum. The example which I have given may be out of line because the average corneal lens manufacturer probably sells far more than 4,000 lenses per year.

Of course, your client does not have to pay all this amount at one time but, if it so desires, it can be paid so much down and so much per month until the total sum is paid. In fact, the license contemplates this.

Very truly yours, of MASON & GRAHAM

CM B Encs.

bc: Dr. George H. Butterfield, Sr.

Mr. Rupert R. Bullivant

(with copy of letter from Pollock
dated September 28, 1962)

DEFENDANT'S EXHIBIT DD

(Letterhead of)
MARECHAL, BIEBEL, FRENCH & BUGG

(Mail Receipt Stamp)
Received
Jul 30 1962
Bair, Freeman & Molinare

July 27, 1962

W. M. Van Sciver, Esq. Bair, Freeman & Molinare 1400 Field Building 135 South LaSalle Street Chicago 3, Illinois

Re: Plastic Contact Lens Company

Dear Mr. Van Sciver:

Mr. Butterfield continues to press his claim of infringement against both Univis and its distributors. In a telephone call to Univis today he advises that he has licensed

Plastic Contact Lens Company, as well as Hornstein, and that all contact lenses made today fall under his patent. He is apparently asking a 5% royalty on all such sales, He has also sent us a copy of the consent judgment and the stipulation of facts in the Portland action and this indicated that a license had been granted to Geo. H. Butterfield & Son under the Tuohy patent 2,510,438.

As you can readily understand we are concerned over this attack by Butterfield and particularly are unhappy with his notifying our distributors and threatening them. We note for example also a recent announcement by Titmus Optical that they are licensed under both Butterfield and Tuohy. Are they paying your license fee and Butterfield's 5% too?

If Butterfield has in fact been granted a Tuohy license subsequent to January 1, 1961 on more favorable terms, then Univis should receive the same terms and conditions under paragraph 8 of its agreement. Please let me know as to the terms of whatever license has been given to the Butterfield company.

My general information is that the Butterfield patent applies to a "conformance lens" and that it specifies conditions so fine that it is practically impossible to determine whether any particular pair of lenses in use would infringe or not. However, having gone through a suit, I am sure you must have a great deal of information about the situation and I hope you will be able to write me very shortly after your return about the various aspects discussed above.

Yours sincerely, /s/ Lawrence B. Biebel

LBB:pbr ce: Univis, Inc.

	DEFENDANT'S EXHIBIT NN
C	DATED DIV. 7 GEORGE H. BUTTERFIELD,
	Name BEURGE II. BUITERFIELD
19.	
i	
	of PORTLAND,
:	State of OREGON
	CORNEAL CONTACT LENS
ed	
у,	ORIGINAL ORIGINAL APPLICATION FILED COMPLETE APPROVED 1 1950
	Petition, Specification, Oath, First Feo \$50 1 sheets Drawings,
2., No.	
f App.,	Examined and passed for Issue F.S. 7 , 1951 Honsalves Ext. Die. 7
ision o	Notice of Allowance Final Fee \$30 74 7/51
Div	Attorney JANES D. GIVNAN 1119 EQUITABLE BLDG. PORTLIND, ORFEON
	Associate Attorney
	No. of Claims Allowed 3. Print Claims 1 in O. O. Class Soft 1

in 0. a. cran 88/84.5.

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15

DIVISION 7

AUG 8 (350)

U. S. PAILNI UMPEE

This invention is a continuation of my application . S. W. 107,948 filed August 1, 1949 and relater to contact lenses and more particularly to a contact lens that covers the corneal region of the eye.

The conventional contact lens, that is, the contact lens which has a soleral flange molded to fit the eyeball has many limitations. Not the least among these is the fact that the wearing time is quite short; a few hours wear causes a corneal misting or halation brought about presumably by the pressure of the rogion and the 10 lens cutting off blood circulation in the provention of free flow of lacrinal fluid. Other factors preventing this lons from coming into wide use are the need for a special accessory fluid between the lens and the eye. In addition, the difficulties of fitting them to the individual eyeball are apparent and well-recognized. For that reason, a practical corneal lens has been much sought after. In theory, the corneal lens is the ideal method of correcting visual deficiencies, since

it does not touch the limbal region, needs no accessory fluid, and has other beneficial optical properties known to workers in the art.

The applicant, in his invention, has provided a corne lens which can be work continuously throughout the full waking day by the average person without experiencing corneal blurring or discomfort of any kind.

Furthermore, the lens of the applicant overcomes a common deficiency of corneal lenses, that is, their tendency to fall away from the eyeball due to insufficient surface tension capillary attraction or due to the eyelid lifting the lens away from the cornes.

In addition, the applicant has provided a contact len which needs no accessory fluid, which does not give the eye a bulging appearance, which is perfect from the viewpoint of cosmetology and opht. Theology, which is self-cleaning, which is easy to fit, which is free of marginal aberrations, which can bused by persons with pathological conditions of the cornea, and which may be easily and inexpensively manufactured.

With the above objects in view, as well as others whi will appear as the specification proceeds, the invention comprise the construction, arrangement, and combination of parts as now be more fully described and as hereinafter to be specifically claimed, it being understood that the disclosure is merely illustrative and intended in no way in a limiting sense, changes in

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details of construction and arrangement of parts being permissible so long as within the spirit of the invention and the scope of the claims which follows

In the accompanying drawings;

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Pigure 1 shows a greatly enlarged sectional view of the lens of the present invention taken through the center thereof.

Figure 2 shows a greatly enlarged view of the anterior, convex face of the lens of the instant invention.

Referring to Pigure 1, the lens which may be made of 10 methyl met forylate or similar substances is shown in conjunction with a human eyeball, shown in broken lines. The reference character 10 designates the surface of the cornes while the limbal region is designated 11. Generally speaking, the lens of the applicant is of concavo-convex type and consists of a posterior, 15 : concave side 12 and an anterior, convex side 13. The concave side 12 is of a perfectly spherical shape over the central area of the lens indicated by the dimension 5 mm. It is to be noted that the lens shown in the drawing is provided with dimensions; these dimensions are given to show the relative proportionalities 20 between the parts of the lens. The particular lens shown is illustrative of a loan particularly made for a person having a cornea whose radius of curvature in the central portion is 8 mm. The diameter of the central area designated by the dimension 5 mm. is slightly smaller than the maximum diameter of the pupil, the 25 latter diameter being indicated by the dimensional character A. (3)

The convex side 13 of the lens is formed in the central portion with the curvature needed to supply the needed visual correction to the eye; the area that is thus formed is also slightly less in diameter than the maximum diameter of the pupil. The area subtended by the pupil in its minimum contracted condition is indicated by the character H. The curvature of the concave side 12 of the lens changes as the point on the surface is further from the center of the lens; at the edge of the area indicated by the 5 mm. dimension the radius of curvature becomes progressively greater until it reaches a maximum at the outer edge 15 of the lens. In the preferred embodiment shown in the drawing, the radius of curvature increases by 241/24 from the central spherical area to the edge 15. The outside diameter of the lens must, of course he such that the lens may lie on the surface of the cornea 10 and that the lens may lie on the surface of the cornea 10 concave side 12 of the lens approximates the surface of a

The anterior or convex side 13 of the lens is formed with a rim portion 1/4 adjacent to the edge 15. This rim portion is relatively thin and its surface is generally parallel to the surface of the concave side throughout its extent. The rim portion 1/4 can be said to extend approximately 2 mm. inwardly of the edge 15 and it is indicated by the dimension 2 mm. Betwee the central vision-correcting portion of the convex side of the lens and the rim portion 15 is a transition area indicated by the

paraboloid for a reason to be discussed later.

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dimension 1 mm. This transition area has a smoothly curved surface leading from the thick central part of the lens to the thin outer part and should be such as to present no abrupt changes in contour that may be engaged by the conjunctive of the syelid causing displacement of the lenses. The outer edge 15 of the lens is formed as a smoothly rounded surface.

The operation of the lens is based on the fact that the average human cornea is not exactly spherical, but actually is more like a paraboloid, with the central, visual portion being a sphere to all intents and purposes, but with the radius of curvature becoming greater as one leaves the visual area and progresses outwardly toward the limbus.

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Yet, in the past, all corneal lenses have been made on the theory that the cornea was spherical throughout and the concave side of the lens has been made spherical also. It can be seen that, if a spherically surfaced lens is used on a paraboloidal cornea, the lens will necessarily dontact the cornea at the conus and at the edge. Now, the sphere and the paraboloid are quite similar at the conus and no undue pressure takes place; at the edge, however, the pressure is great enough to cause discomfort and blurring. If the spherical surface of the lens in such a case is chosen large enough to prevent this localized pressure, the lens will be too loose and will casily separate from the cornea because of insufficient capillary attraction and because there will necessarily be a large space between the cornea and the edge of the lens and the eyelid will slip under the lens and lift it.

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Now, the theory behind all corneal contact lenses is that the lens be so formed that it can ride on a film of lacrimal fluid which exists between cornea and contact lens; if the lens does not float on such a film or causes a local pressure, there will be discomfort, halation, and the like and if the space between lens and cornea is too great, the capillary attraction will not exist and the lens may fall away from the eye. The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition.

Since none of the lens outside of the area of the maximum extension of the pupil, designated A in the drawing, is to be used for overhowing the night deficiency and is only present to present the maximum contact area between lens and cornes for maximum capillary attraction, it is possible for the applicant to use the non-visual area in a way to best overcome the past deficiencies of corneal contact lenses. The particular shape provided allows the cyclid to slide smoothly over the edge of the lens. The result is that there is no pain or sensetion in the cyclid, and there is no opportunity for the cyclid to pry the lens away from the cornea.

I claims

- A corneal contact lens having a contact surface which is the surface of a paraboloid.
- 2. A corneal contact lens having a paraboloidal contact surface.
- A corneal contact lens of generally concave-convex shape wherein the concave surface is the surface of a paraboloid.
- 4. A corneal contact lens of generally concave-convex shape wherein the concave surface approximates the surface of a paraboloid.
- 5. A corneal contact lens of generally concave-convex shape wherein the concave surface approximates the surface of a paraboloid and the convex surface has the visual correction formed thereon.
- 6. A corneal contact lens of generally concave-convex shape wherein the concave surface has approximately the surface of a sphere in a central portion which is somewhat less in diameter than the area of the cornea subtended by the iris during maximum dilation, the radius of curvature of said concave surface incremaing slightly and gradually from said spherical portion to the edge of the lens.
- 7. A corneal contact lens as recited in Claim 6 wherein the amount of increase of radius of curvature from said spherical portion to the edge of the lens is in the order of 2-1/2%.

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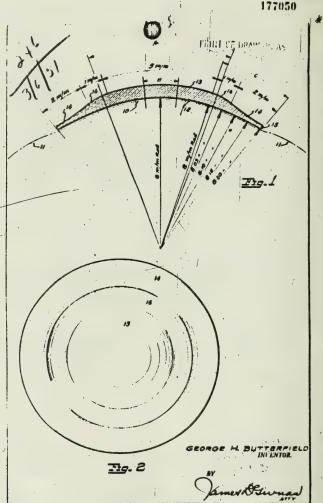
- 8. A corneal contact less having a generally concavecontex shape wherein the convex surface is formed with the visual
 correction in a central area slightly less than the area of the
 cornea subtended by the iris during maximum dilation, the
 remainder of the convex surface being formed inwardly so that
 the outer parties of the less is relatively thin, a smooth
 transition portion leading from the central visual correction
 portion to the outer, thin portion.
- 9. A corneal contact lens of generally concave-convex shape wherein the concave surface has approximately the surface of a sphere in a central portion which is somewhat less in diamethan the area of the cornea subtended by the iris during maximus dilation, the radius of survature of said concave surface increasing slightly and gradually from said spherical portion to the edge of the lens, and wherein the convex surface is formed with the visual correction in said central portion, the remainds of the convex surface being formed inwardly so that the outer portion of the lens is relatively thin, a smooth transition portion leading from the central visual correction portion to the outer, thin portion.

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Being duly sworn, I, GEORGE B. DUTTERFIELD
pose and say that I am a citizen of this limited Chates of America residing at
: Portland, Oracon ; that I have
ad the foregoing specification and claims and I verily believe I am the original, first, and solo
ventor of the invention or discovery in
scribed and claimed therein; that I do not know and do not believe that this invention was ever some or used before my invention or discovery thereof, or patented or described in any printed ublication in any country before my invention or discovery thereof, or more than one year prior this application, or in public use or on sale in the United States for more than one year prior to is application; that this invention or discovery has not been patented in any country foreign to e United States on an application filed by me or my legal representatives or assigns more than releve months before this application; and that no application for patent on this invention or discovery has been filed by me or my representatives or assigns in any country foreign to the United ates, except as follows:
And I hereby appoint Jones J. Givnan
1119 Equitable Bldg., Portland, Orngon
egistration No. 12,940, my attorney or agent with full power of substitution and revecetion, prosecute this application and to transact all business in the Patent Office connected there with
Wherefore I pray that Letters Patent be granted to me for the invention or discovery described delaimed in the foregoing specification and claims, and I hereby subscribe my name to the fore-
ing specifications and claims, oath, power of attorney, and this petition, this
Inventor Charge A Bush feeled of
Inventor Cost Cl. 14 Made intent
Post Office Address
ate of O.C.GOVI
sunty of LULTHOLAH
nutry of a series of the serie
Before me personally appeared GEORGE H. "NEWEGETTELL)
me known to be the person described in the above application for patent, who signed the foregoing strument in my presence, and made oath before me to the allegations set forth therein as being
ider oath, on the day and year aforesaid.
EALL MONTH
Noting Public
By Command action complete as June 6, 1951
The form may be exceeded only when attached to a consulete application on the last mass thousand

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DEPARTMENT OF COMMERCE UNITED STATES PATENT OFFICE WASHINGTON

Paren No. 3

ese find below a communication from the EXAMINER thurge of this application.

MUI Jook

James D. Givnan 111) Equitable Bldg. Portland, Oregon

ura 19 4/819 6

John a Marzall

Commissioner of Patrice.
Mission: 7 ===-Room 6839
Applican: George H. Butterfield

No. No. 177,050 Mind Aug. 1, 1950 No. CORREAL CONTACT LENS

16:11:50

This ap plication has been e xamined.
References made of records

JAN 11 1951

Dickinson (pub) "The Corneal Lens" from the "Optician" - Sept. 2, 1949 - pp 141 to 144 - Copy in Div. 7 - 88/54.5 - 2 bier (pub) "Corneal Contact Leness from the "Optician" - Sept. 9, 1949 - p. 185 - Copy in Div. 7 - 88/54.5 - This copy in Div. 7 - 88/54.5 - This copy in the Form of the Contact Lenes optic" from the "Optician" - Dec. 31, 1948 - p 617 and 618

Kelated arts

Tuchy

2,510,438

June 6, 1950

88/54.5

The reference Tuchy is cited to show a beveled "corneal" contact lens.

On allowance of any claim revision as to form may be required (order 5267).

The drawing is informal and is admitted for examination purposes only. A space for the heading is required. A new drawing is required but such need not be undertaken until the case be found to contain allowable subject matter. This application appears to be a "continuation in part" of applicants copending application Serial No. 107,948 and not a "continuation" as stated in paragraph 1, page 1 and the specification should be so amended. "hould not "lumbal" in line 10 page 1 be properly "limbal".

Claims 1 to 9 inclusive are rejected as indefinite and not particularly pointing out invention. The claims recite a "corneal" contact less but the exact diameter or extent of coverage of the less can only be imagined. It is not clear whether the

177,050

-2.

lens extends for only a small portion of the corneal area, to the inner part of the limbus, to the outer limbul area or even courses over the solera. Obviously not all these forms would sorve applicants purpose.

claims 1 to 9 inclusive are rejected as unpatentable over any one of Jones, Eier or Dickinson. The references all show it to be old to form "acrical" contact lenses with inside poriphoral curves which are flatter than those of the central area. Obviously this would involve a "parabolic" taper as pointed out in Dickinson and such either is or could be used without the exercise of invention. The specific "parabolic" approximation (Claim 7) selected would of course be dependent on the curves of the patients eye a determination of which is considered to amount to nothing more than routine laboratory experimentation.

All claims 1 to 9 inclusive are rejected.

ME.

Ja Gonsalver

C 3497 DIVISION 7

FFR 7 1951

U. S. PATENT UFFICE

IN THE UNITED STATES PATENT OFFICE

AMENDMENT A.

In re application of George H. Putterrield Serial No. 177,050

Filed Aug. 1, 1950

Division 7 Room 6839

FOR CORNEAL CONTACT LENS

Hon. Commissioner of Patents

Washington 25, D. C.

Sir:

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Responsive to Office action of January 11, 1951. The matter of correcting the drawing is being attended to in a separate communication enclosed herewith and directed to the prafting Division.

IN THE SPECIFICATION:

Page 1, line 10, change "lumbal" to -- limbal ---Page 2, line 5, change *work* to -- worn ---

Page 4, line 15, cancel "without the edge 15 contacting the limbal area 11° and substitute -- within the area defined by the limbus 11 ---

Please cancel claims 1 30 9 inclusive without prejudice and substitute the following new claims:

-20/1

A corneal contact lons of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the corner to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending radially outward toward the limbus being formed on a curve different from that of said central aren and corresponding in curvature with that portion of the corneal peripher al area to which the lens is

11

applied, whereby space is provided for the natural uninterrupted circulation of lachrimal fluids between said lens and the corner.

A corneal contact lens as in claim 20 wherein the anterior marginal area is gradually reduced in thickness toward the periphery of the lens by an arounte facing in reverse curvature to the convex surface of the lens, both the junction of anid arounte facin. While remaining central convex portion and the lens ed. a making a smooth transition whereby the cyclids may pass freely over said odors.

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A corneal contact lens as in claim to where in the enterior marginal area is gradually reduced in thickness toward. The periphery of the lens by a concave facing in reverse curvature to the convex application of the lens, both the junction of said concave facing Athe remaining central convex portion and the lens edge begins a smooth to assist on whereby the eyelide may pass freely over said edge.

REHARKS

The specification has been amended.

Claims 1 to 9 inclusive have been canceled and new claims 10, 11 and 12 substituted therefore

The references have been carefully studied and when considered singly or combined fail to show or anticipate applicant's invention.

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The references, namely, Dickinson, Bier and Jones are discussed below-

The lens described by Rier has a central area which is longer in radius than the radius of the cornea to which it is applied, and has a peripheral area band which is shorter in radius than the center inside area.

In the Dickson article the lens described, but not illustrated, has a spherical posteria surface and is of an over- all diameter so that the edge of the lens, which has a small believe rests on the limbal area raising the lens away from the apex of the corner.

The article by Jones appearing in the "optician", December 31, 1948 describes in particular a scleral type contact lens, the optical section of which is described as having a true optic in the center third almost parallel to the cornea and reaches the periphery to flatten out the posteris area more than in the cornea, and gradually rejoin the line of the scription states that the peripheral 2/3 of the cornea is cleared by the Lens. The article also states that "Once having molded and made our cast we must order our shell to be ground with

As stated above, this lens so described is a molded scleral type contact lens, and in no way resembles the applicant's device, inasmuch as the central optical area has a radius flatter than the cornea, whereas the applicant's device has a central optical area conforming to the curvature of the central area of the cornea. The lens described by Jones has the remaining optical section lying outside of the central optical section departing from the corneal surface related thereto. The type of lens as described by Jones when placed on the eyeball would interfere with the flow of the lachrimal

routerior radius slightly flatter thun the actual cornea.

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fluids which in a short period of time would cause the vision to blur and make the lons unwearable.

In contrast to the above-mentioned lenses, applicant's lens has a posteria curvature that conforms to the curvature of the cornea, allowing a spaced relationship between the lens and the cornea which permits the free entry and circulation of the lachrimal fluids. The lens is of an overall size to lie within the area defined by the limbus.

It is to be noted that the references are dated respectively september 9, 1949 and september 2, 1949.

References which have been brought to our attention although not made of record will be individually discussed an follows:

An article entitled "The New Hamblin-Dallos Contact Lonees" appearing in the "Optician", April 1, 1938, page 143

An article entitled "The question of Contact Lone Deeig ancesting in the opticion of Fobruary 4, 1949, pages 37 to 39

An article entitled "Contact Lens Note" appearing in the Optician of Merch 4, 1947, page 68 French Patent 805, 52, Published Nov. 24, 1936, entitle "Adhering Lennes and Contact Lenses for Eyes"

The Hamblin-pallos contact lens is of the soleral type, and the article discusses the method of manufacturing the lens and not the structure of the lens. No reference is made to the curvature of the inside corneal section except to say that it makes optical contact of the front surface of the eye over the whole area of the lens. This statement is very indefinite, and in no way conflicts with the applicant's lens. Furthermore, the lens as described in the article is soleral type lens which when worn would interfere with the flow of tears between the lens and the cornea, which would result in discomfort, short wearing type and the appearance of Sattler's veil.

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In the article by Steels reference is made to the work done by pallos next above mentioned, and would be inoperative for the same reasons as given for the pallos lens.

Regarding the "Contact Lens Note" appearing in the Optician, March 4, 1947, the lens so described refers to the work by
Dallos, and again the same drawbacks appear in that the lens
contacts the soleral outting off the flow of lachrimal fluids which
result in discomfort, short wearing time and the appearance of
Sattler's Veil.

prench patent 805, \$92, published Nov. 24, 1936,
entitled *Adhering Lenses and Contact Lenses for Eyes*. This
patent covers the manufacture of adhering lenses from blown
klass. This lens so described would not be practical
inasmuch as no provision is made for grinding an optical
surface on the posteria side of the corneal section. This
lens would also be unsatisfactory as it has a scleral band,
the action of which when applied to the eye would out off the
normal flow of lachrimal fluids, and the lens would scon become
unwearable.

From the foregoing, it is obvious that the references all fail to show or anticipate a contact lens as now defined in applicant's claims wherein the lens is of a size such as to lie within the area defined by the limbus and formed with an inner central spherical area conforming to the corresponding area of the corner to which the lens is applied, and slee wherein said inner surface extends radially toward the limbus and is formed by a curvature different from that of said central area corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, so that a space is provided for the natural uninterrupted circulation of lachrimal fluids between

the lens and the corner.

Applicant and counsel appreciate the courteous interviews with the Examiners during which the above references were discussed verbally, and also at which the three claims now in the application were deemed allowable.

Respectfully submitted
GEORGE H. BUTTERFIELD

Ву

Attorney of Record

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DIVISION 7
FEB 7 1951
U. S. PATENT OFFICE

IN THE UNITED STATES PATENT OFFICE

In re application of George H. Butterfield

LETTER TO DRAFTSMAN

Ser. No. 177,050 filed Aug. 1, 1950

Sirt

For CORNEAL CONTACT LENS

LETTER TO DRAFTING DIVISION

Hon. Commissioner of Patents Washington 25, p. C.

In accordance with the Office action of January 11, 1951, it is respectfully requested that the drawing in the above-untitled application be corrected to provide room for a heading. It is believed that this can be accomplished by lowering the dimension "5m/m to a position below the dimension line.

Upon receipt of an estimate of the cost for this work, the remittance will be promptly made.

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Attorney of Record

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FEB 7 1951

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FORM PO-122 U. S. DEPARTMENT OF CLAMERICE (9-1-50) PAID PAID PAID PAID
Div. 7 • TITLE REPORT
[№] 977,050 (C-P)
NAME George H. Butterfield
;
! !
THE TITLE APPEARS FROM THE ASSIGNMENT RECORDS TO BE VESTED IN
Inventor
I XAMINED UP TO AND INCLUDING Jun. 17, 1951
THIS CERTIFICATE DATEDFeb. 7, 1951
Fail From
L PIAD OF ASSIGNMENT BRANCE
NO FURTHER ASSIGNMENTS APPEAR TO HAVE BEEN RECEIVED FOR RECORD INCLUDING:



The changes hereinafter specified have been made in the application identified above in accordance with the provisions of Order Number 3111 of February 8, 1930, (Manual of Patent Examining Procedure 1302.08), which reads in part as follows:

Other obvious informalities in the application may be corrected by the examiner, but such corrections must be in the form of an amendment, approved and signed by the Irincipal Examiner, placed in the file, and made a part of the record. A copy of the amendment is sent to the applicant. The changes specified in the Amendment will be outered by the clerk in the regular may.

If these changes are not satisfactory to the applicant, appropriate amendment may be proposed uplor the provision of full 112, provided the printing of the specification has not begun at the time such amendment is ready for entry. To insure the consideration of such amendments for inclusion they should be submitted on or before the date of remitting the final fee since the printing of the specification begins a few days thereafter.

The application has been amended as follows:

in claims 11 and 12, line 5 remove the comma and insert the word "with" between "facing" and "the".

in line 1, page 1 of the specification change "continuation" to read "continuation in part".

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Paper No. 7



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C 3499

REFERENCES CITED

The following references are of record in the patent:

UNITED STATES PATENTS

Name

Numbe

Date

Tuchy

2,510,438

June 6, 1950

Number

Posts

Fluinos

805,5921

Aug. 31, 1936

OTHER REFERENCES

"The New Hamblin-Dallos Contact Lens (Yublication) / page 11/3 of "The Opticion" / April 1, 1938

"Contact Lens Hote" (publication), + page 60 of "The Ortician" + Earth h. 19176.

"Changes in the Form of the Contact Iens Optio" by Jones, published in "The Optician" # Pacember 31, 1940, # pages 617 and 6186

Withe Question of Contact Lens Design," + publication appearing in-

(Continued)

Butterfield Patent

153a



REFERENCES CITED

C 3500

The following references are of record in the patented file of this patent:

UNITED STATES PATENTS

Name

Numb

Deste

Number

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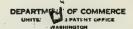
OTHER REFERENCES

"The Optician" / Feb. 4, 1949, / pages 37 to 39

While Corneal Lens" by Diskenson, from the publication "The Optician," Deptember 2, 1949, pages 341 to 344.

september 9, 1949, page 1850





All renormalisations respecting this application about 1 place in the second place in the second place and memorial place of the second memorial place applications.

lebruary Seven. 1951

James D. Givnan 1119 Equitable Eldg. Portland, Oregon

Mark

FEB .

NOTICE OF ALLOWANCE

The application for patent identified below has been examined and found allowable for issuance of Letters Patent.

APPLICANT

George H. butterfield

TITLE OF INVENTION OR IMPROVEMENT

COMMAL CONTACT LINS

FILING DATE

HUMBER CLAIMS ALLOWED

BERIAL NO. 177,050

Aug. 1, 1950

With the allowance of the application the final fee bocomes due. This fee is thirty dollars (\$30) plus one dollar (\$1) for each claim allowed in excess of twenty (20) and must be paid within 6 months from the date of this notice. Failure to remit the final fee will result in the patent being withheld from Issue. In remitting this fee identify the application to which it applies by giving the following information: Name of inventor, title of inventor, sortal number, date of tilling, date of allowance, and if assigned, the names of the assignees. The final fee will not be received from anyone other than the applicant, his assignee or attorney, or a party in interest as shown by the records of the Patent Office.

If it is designed to have the patent issued to an assignee or assignees an assignment containing a request to that effect, together with the loc for recording the same, must be filled in this Office on or before the date of payment of the final fee.

The patent will be issued and forwarded approximately 4 weeks after receipt of the final fee.

By direction of the Commissioner.

J. E. Consulve Examiner.

DEFENDANT'S EXHIBIT OO

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UMBER (Series	of 1946)	PATENT NO.	
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DIV. 7		(EX'R'S BOOK)	76-2
Name 6	EORGE H. BUTTERFIELD		
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		Serial No. 107948	
		Filing Date Gran 1, 1449 This application is referred t	- /
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State of	REGON	Pat 20 NOTION SPORT	246,
Invention	DONES CONTACT THE		
	DRNEAL CONTACT LENS		
	ORIG APPLICATION FILED COMPLETE	AUG 1	
		, 1949	
	Petition, Specification, Oath, First See \$30	Aug 1, 1949	
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Examined and passed ; Notice of Allowance	[OP 188W6	19 ETr. Di	, 19
Final Fee		· By	Commissioner.
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Associate Attorney			
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No. of Claims Allowed	Print Claims	in O. G. Class	
Title as allowed			
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PG-100	10-14		

July, 27, 1949 Fortland, Oregon ZONE 5 \$295.OC George H, Butterff I am enclosing certified chack No. 7542 Patent Attorney CORNEAL CONTACT LENS which includes the following Ltens fee of \$30,00 for Non. Commissioner of Patents

Serial No.

Room

Very reupectfully,

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QA 410-1-49

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PETITION

WITH POWER OF ATTORNEY

1360000

DIVISION 7

AUG 10 1949

U. S. PATENT OFFICE

TO THE COMMISSIONER OF PATENTS:

Washington, D. C. .

Your petitioner, GEORGE H. BUTTERFIELD

citizen of the United States of America

and resident of Portland

in the county of Multnowah

and State of Oregon

whose post-office address is

314 S. W. 9th Avenue Portland, Oregon

prays that letters patent may be granted to him for a

CORNEAL CONTACT LENS

sat forth in the annexed specification; and he hereby appoints

EDWARD B. BIRKENBEUEL (registration number 11,116) of 021 Terminal

Sales Building, Portland, State of Oregon, his attorney, with full power

of substitution and revocation, to prosecute this application, to make

alterations and amendments therein, to receive the patent, and to transact all business in the Patent Office connected therewith.

Signed at Portland

, in the county of Multnomah

State of Oregon

this 12thday of July, 1040

Serge B. Bulletald.

George H. Putterfield

This invention relates generally to lenses and particularly

-1-

SPRCIFOATION

2	to a lens which is placed in direct contact with the corner area
3	of the eye.
4	The main object of this invention is to provide a form of
5.	lens which will comfortably and satisfactorily produce a
6	desired correction without experimentation or the necessity of
7	nroducing a number of lenses whose characteristics surround the
8	requirements of a given prescription in order that the right len
9	may be selected by a patient's choice rather than by scientific
10.	determination on the part of the technician.
11	A further object is to produce a lens which can be worn for
12	longer periods without becoming dim or uncomfortable as is
13	commonly the case.
14	I accomplish these and other objects in the manner set fort
15.	in the following specifications as illustrated in the accompany
16	drawing, in which:
17	Fig. 1 is a diagrammatic sectional view of an eyeball shows
18	the corner and solers and relation which my lens bears thereto.
19	Fig. 2 is a greatly magnified section through the outer ris
20.	of my lens showing how the rim ta thinned on both sides by
21	concave faces.
22	Like numbers of reference refer to the same or similar part
23	throughout the several views.
24	Before entering into an explanation of this invention, it
25.	must be understood that the use of a lens which covers only the
26	cornea of the eye without extending over the sclera or white
27	portion of the eye is not new and has been used with varying
28	degrees of success for a number of years.
29	The difficulty commonly found in conjunction with the use
30.	of such lenses is in the maintaining of the lachrymal fluid
31	between the lens and cornes in a manner to enable it to function
. 32	as a part of the lens.
Page	

The second difficulty arose in the formation of a suitable rim near to limbus which would not only be usable on positive or negative lens shapes but also to contribute to the capillary action of the lens itself.

Referring in detail to the drawing, in Pig. 1 there is shown, somewhat diagrammatically, the cornes 10 whose outer convex surface 11 merges with the outer convex surface 12 of the sclera 13 at the limbus 14.

In the particular lens 15 shown in the drawing, the inner concave side 17 conforms to the corner surface 11, both as to curvature and diameter, whereas the outer surface 17-A is curved to meet the optical requirements.

My ions differs from those now in common use by having the outermost portion of the cornea contacting lens area 16 curved to form a face 18 which relieves the pressure against the cutermost area of the cornea 10 and at the same time provides space for tear fluids or substitutes which afford lubrication and light handling properties, the latter of which must remain undimmed as long as possible.

An outer curved rim 19, also concavely limits the thickness of the lens rim 20 and prevents the formation of a shoulder across which the eyelid must pass.

While the actual dimensions and radii of curvature of the lens faces as well as the curvature of the faces 18 and 19 will vary greatly to meet the requirements, the width 21 of the inner curvature 18 is approximately 5 mm. and the surrounding area 16 would be approximately 5 mm. The width 22 of the curved rim 10 could vary from 1 to 3 mm.

It will be noted that the lens 15 does not have its riw
20 bearing directly on the limbus 14 but actually floats on the
cornes within the limits defined by the limbus, thereby avoiding
any tendency to touch the eye surface and, very importantly,

R-

-3-

encouraging the maintenance of a fluid-filled space between the lens 15 and the cornes 10.

This lens must not be confused with attempts to solve the problem by merely rounding the corners of the rim 20 as is usually practiced. As states, the characteristics of my lens have been magnified in order that their nature and purpose may be better understood.

I olaim:

- of the corneal contact lene limited in size to the area of the cornea and having the inner side of its rim relieved to approximately 3 mm. from said rim.
- 2. A corneal contact lens approximating the diameter of the cornea against which it is to be worn, said lens having its rim relieved on its inner side forming a capillary space around the periphery of the lens.
- 3. A corneal contract lens, the outer rim of which is thinned by arounte facilities extending approximately 3 mm. from the rim thereof.
- 4. A corneal contact lens covering only the cornea portion of the natural eye and relieved within its inner side to form a capillary space extending around the entire lens.
- 5. A corneal contact lens having the outer edge thereof thinned to approximately 3/5 mm. In thickness by forming a concave face completely around said lens.
- 6. A lens of the class described having a concave comea engaging side and a convex outer side, seid inner and outer sides terminating in a rim adapted to be disposed near the limbus of the human eye and speed therefrom, said less having a capillary space formed inside of its rim around its entire circumference.

and A'

- Green H. Miller Wolf

OATH

STATE OF

OREGON

COUNTY OF

MULTNOMAH

GEORGE H. RUTTERFIELD

the above named petitioner, being sworm, deposes and says that he is a citizen of the United States of America

and resident of Portland

, in the county of Maltnomah

and State of Oregon

that he verily believes himself to be the

original, first and sole inventor of a CORNEAL CONTACT LENS

described and claimed in the annexed specification; that he does not know and does not believe that the same was ever known or used before his invention or discovery thereof, or patented or described in any printed publication in any country before his invention or discovery thereof, or more than one year prior to this application, or in public use or on sale in the United States for more than one year prior to this application; that said invention has not been patented in any country foreign to the United States on an application filed by him or his legal representatives or assigns more than twelve months prior to this application; and that no application for patent on said invention has been filed by him or his representatives or assigns in any country foreign to the United States,

Chan an W. Medicalla Inventor
Coorgo II. Butterfield

Sworn to and subscribed before me this 12th day of July, 1949

Dane A- Birken Leur

(SEAL)

My commission expires

E. B. BIRKENBEUEL, PATENT ATTORNEY

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ORIGINALLY FILLD

10 10 19 FIG.

Fig 2

INVENTOR
GEORGE H BUTTERTELL
BY CANALISMENT

164a File History of



DEPARTMENT OF COMMERCE UNITED STATES PATENT OFFICE WASHINGTON Form No. 3

Please find below a communication from the EXAMINER in charge of this application.

MUR/av

Edward B. Birkenbeuel 921 Terminal Sales Euilding Fortland, Orecon John a Marzall

Commissioner of Points.

Division: 7 - Not. 7709
Applicate: George H. Butterfield

1
Ser. No. 107,948

AUO. 1, 1949 CONDEAL CONTACT LENS

FEB 1 1950

LIAN ED

This application has been exemined.

References made of records

"The Corneal Lens -"A New Type of Plastic Contact Lens" by Maurice W. Nurend N.D. Reprint from the Annials of Western Hedicine and Surgery June 1948 volume 2 No. 6, 4 pp., copy in Division 7

"The Corneal Lens - Progress Report" by Rotert Graham publ. in The Amorican Journal of Optometry and Archives of American Academy of Optometry (Reprint) Vol. 25, No. 2 Feb. 1949, copy in Div. 7

Volle

722,059 Mar. 3, 1903 88/54.5

On allowence of any claim revision as to form may be required (Order 5267).

The reference Volle though not mentioned in the rejection of the claims is cited to show a contact lens utilizing a reverse or concave bevel on the periphery of the convex side of the lens.

The drawing is informal and is admitted for examination purposes only. The horizontal hatching is objectionable and shade lines are required. The drawing can be corrected but such need not be undertaken until the case be found to contain allowable subject matter.

Claims 1 to 6 inclusive are rejected as obviously fully met by the corneal lens set forth in either the Bugent or Graham articles surra.

Annaluce
Anting Examiner

165a

DIVISION TENT OFF

#4

DOCKET DIVISION

REVOCATION OF POWER OF ATTORNEY

S PAL TOTACE

ONER OF PATKNTS:

The undersigned having, on or about the lat day of August, 1949, appointed E. B. Birkenbeuel, of Portland, Oregon, his attorney to prosecute an application for Letters Patent which application was filed August 1, 1949, for an improvement in CORNEAL CONTACT LENS, Serial No. 107,948, hereby revokes the Power of Attorney then given.

Signed at Portland, in the County of Multnomah and State of Oregon, this 28th day of April, 1950.

ACCEPTED

MAY 25 950

POWER OF ATTORNEY

TO THE COMMISSIONER OF PACENTS!

The undersigned having, on or about the lat day of August, 1949, made application for Letters Patent for an improvement in CORNEAL CONTACT LENS, Serial No. 107,948, horeby appoints James D. Givnen, 1119 Equitable Building, in the County of Multnomah, and State of Oregon, his attorney, with full power of substitution and revocation, to prosecute said application, to make elterations and amendments thorein, to receive the petent, and to transact all business in the Patent Office, connected therewith.

Signed at Portland, in the County of Multnomeh and State of Orogon this 28th day of April, 1960.

OFFICE H. BUTTEN IND

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941-00

1ºU

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WASHINGTON

DEPARTMENT OF COMMERCE

June 12, 1950

lenes D. Civnan, 1119 Equitable Bldg., Fortland 5, Oregon.

Applicant

Coorgo H. Butterfield

Serial No.

107,948

Filed

August 1, 1949

For

Corneal Contact Lens

Div 7

In this case your power of attorney has been accepted.

Very truly yours,

John a. Margall Commissioner of Patents

Revoking power of attorney

to

Melward B. Birkonbeuel, 921 Terminal Sales Bldg., Portland, Oregon.

LOIVISION

1

DIVISION T

WENTHAM BERN

IN THE UNITED STATES PATENT OFFICE

AMENDMENT

In re application of George H. Butterfield Ser. No. 107,948 Filed: August 1, 1949 For: Corneal Contact Lens

Division 7

Hon. Commissioner of Patents, Washington 25, D. C.

Sir:

In response to the Office Action of Pebruary 1, 1950, please amend the above-identified application as follows:

Cancel the claims now in the case without projudice and substitute the following:

convex shape wherein the convex surface is formed in the central portion with the desired visual correction, said central portion corresponding substantially to the area subtended by the iris during maximum dilation, the remaining portion of the convex surface of the lens being recessed substantially below the central portion so that the outer portion of the lens is very thin, the convex surface being smoothly contoured between the central portion and the recessed portion so as to present no obstacle to smooth passage of the eyelid.

in the second

4,

- 8. A corneal contact lens of generally concave-convex shape wherein the concave surface is substantially spherical in a central portion corresponding to the area subtended by the iris during maximum dilation, the remaining portion of the concave surface being slightly recessed.
- 9. A corneal contact lens of a generally concave-convex form wherein a central portion corresponding to the area subtended by the iris at maximum dilation has a generally spherical surface on the concave side of the lense and is formed with a visual correction on the convex side of the lens, the outer portion of the lens between said central portion and the edge being slightly recessed on the concave side and substantially recessed on the convex side, the junction of the surfaces in the central portion and the surfaces in the outer portion being smoothly contoured.
- shape wherein the concave surface is substantially spherical in a central portion corresponding to the area subtended by the iris during maximum dilation, the remaining portion of the concave surface being recessed, said recess being deep enough to prevent interference between the cornea and the edge of the lens and shallow enough to allow substantial empillary attraction between the surface of the recess, the lacrimal fluid, and the surface of the cornea.

REMARKS

The application has been amended and new claims presented which point out more clearly the innovation which is the subject of the applicant's invention.

More particularly, the claims have been drawn to bring out the patentable distinctions between the lens of the applicant and that of Touhy, as described in the publications cited by the Examiner in the first Office Action. Touly recognized, as did the applicant, that the problems in corneal contact lenses were (1) pressure of lens on cornes at the edges, and (2) tendency eyelid to strike the lens and lift it from the eye. Hecognizing these problems did not involve patentable invention, either for Touny or for the applicant. However, they solved them in two different ways. The first problem, the tendency of the edge of the lens to press on the cornea at the edge with consequent discomfort and blurring, is due to the fact that the corner is practically spherical in the portion through which light passes for visual purposes but its radius of survature becomes slightly greater outside of the central, visual portion of the cornea. The result is that a spherical contact surface will fit the central portion perfectly, with a capillary layer of lacrimal fluid between the lone and cornea, of course, but will press against the outer portions of the cornea. The best way to solve the problem would be to use a small lens that covered only the central portion of the cornea; the objections to this are immediately apparent; the complete corneal contact is needed to supply the needed strongth of capillary attraction to retain the lens in place and the lens would be free to slide all over the cornea from limbus to limbus. Touhy solved the problem by using a spherical concave surface of slightly greater radius of curvature than the radius of curvature of the visual portion of the cornea and by bevelling the edge of the lens on the concave side.

The applicant, on the other hand, uses a concave surface which is the same as the central visual portion of the cornea; where the cornea begins to depart from the true sphere of its central portion and theoretical interference would take place between the spherical lens and the non-aphorical portions of the cornea, the applicant recesses his lens. The recess is deep enough to avoid the interference, but not deep enough to prevent capillary attraction between the surface of the recess, the lacrimal fluid, and the corneal surface. It can be seen then that Touly and the applicant have solved the problem in two completely different ways.

The second problem, the tendency of the cyclid to strike the edge of the lens and lift it from the eye, was also approached by Touhy and the applicant in two different ways. Touhy merely bewelled the edge of his lens. The applicant recessed the unterior face of the lens deeply from the central visual portion outward and provided a smooth transition between the surface of the recess and the central portion; this thins the portion of the lens that is not used for seeing and, as a practical matter, does away with a large portion of the lens, yet without sacrificing any part of inner contact area needed for the capillary attraction necessary to hold the lens in place. Again Touhy and the applicant present two entirely different means of solving the problem.

Since the applicant has pointed out in his remarks and recited in his claims the manner in which he distinguishes patentably over the references, it is felt that the application is in condition for allowance and such action is requested.

Respectfully submitted,

James D. Givnan

JAMES D. GIVNAN

July 31, 1950

File History of

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IN THE UNITED STATES PACENT OFFICE

U. & PAIENT UTTICE

In re application of George H. Butterfield Serial No. 107,948

Filed August 1, 1949 For Cornest Contact Lens Sept AMENDMENT &

SUPPLIESSITAL ASSESSED SHIT

To the Commissioner of Patents

Portland, Orașon

danhington ab, D. C.

September 21, 1950

Siri

Please add the following claims to the shows application in resionse to Office Action of Pehroary 1, 1950

it. A compact contect loss of a poservity concaveconvex form wherein a central portion corresponding to the area
subtended by the pupil at maximum diletion has a prespectly
spherical surface on the concave side of the loss formed on
a radius equal to the maximum radius of the cornes to which the
less is to be applied and is formed with a visual correction or
the convex side of the loss, the outer portion of the less
on the concave side and substantially recessed on the convex
side, the junction of the surfaces in the central portion and
the conference in said outer portion to him amountally contoured.

12. A cornest contect lens of a generally concaveodnyox form wherein a central portion correstanding to the area
subtended by the pupil at maximum dilation has a generally
spherical surface on the concave side of the lens formed on a
radius equal to the maximum radius of the central are of the
sornes to which the lens is to be applied and is formed with a

visual correction on the convex side of the lens, the outer portion of the lens between said central portion and the edge being slightly recessed on the doncave side and substantially recessed on the convex side, the junction of the surfaces in the central portion and the surfaces in the outer portion being smoothly contoured.

H ILLI AHLS

The above claims have been added in order to make the spilicution more complete and is within the score of the invention as originally filed.

Real estfully submitted,

Actorney for Apillant

James D. Givnen Portland, Ore. And communency on avadems viscounce over a hOft-igs

DEPARTMENT OF COMMERCE UNITED STATES PATENT OFFICE WASHINGTON

Paren Na. 9

Please find below a communication from the EXAMINER

in charge of this application.

James D. Givnan 1119 Equitable Bldg. Portland 5, Oregon

wrm 10 d/35v 8

John a Marzall JAN 1

Commissioner of Pairma.

Division: 7 — Room 6839

Applicant: Usorge H. Butterfield

Ser. No. 107,918
Filed Aur. 1, 1919
For COUGLAL CONTACT LENS

Responsive to amendments filed August 1, 1950 and September 22, 1950.

Additional references made of record;

Tuchy

2,510,438 June 6, 1950 (Filed Feb. 28, 1948)

88/54.5

Claims 7 to 12 inclusive are rejected indefinite. functional and not particularly pointing out invention. The claims merely recite a corneal contact lens having a "receased" section peripheral to the point of muximum dilutation of the iris either on the concave, convex or on both sides of the lens but the specific type of recess, direction or orientation of said recess which would permit the functions ascribed to it i.e. substantial capillary attraction, non interference between corner and lens edge and smooth contouring to necessarily obtain have been left to conjecture. Webster defines a "recess" as a space formed by an indentation, or the like, in a straight line of in a surface bounded by a line conceived of as straight. It appears obvious that even considering applicants edge modification as falling within the meaning above set forth it would/apparent that not every "recess" or "indentation" in this area would necessarily serve applicants purpose, Conceivably the edge of the lens could be of a thickness greater than that of the lens center so that considerable lid obstruction is manifested.

107,948

O

2.

Claims 7 to 12 inclusive insofar as definite are further rejected as unputentable over Tuohy newly cited. The lens of Tuohy is considered to be "recessed" as broadly and indefinitely recited peripheral to the maximum points of pupil dilation both on the concave and convex sides of the lenses. The lens of Tuohy conforms in shape to the cornea of the eye (see page 1 column 2 line 25) as is the case in applicants device (attention directed to line 10 page 2 of applicants specification).

claims 11 and 12 are further rejected as drawn to subject matter not originally disclosed. The specification merelystates that the lens (page 2 line 10) conforms on its inner surface to the cornea of the eye and hence the statement in these claims that "the concave side of the lens" is "formed on a radius equal to the maximum radius of the cornea" involves a departure from this broad disclosure.

Claims 1 to 6 inclusive have been dancelled. Claims 7 to 12 inclusive are rejected. Applicant should prepare for final action.

-mor

Monsac

DEFENDANT'S EXHIBIT JJ-1

(Letterhead of Mason & Graham, Counselors at Law)

November 21, 1963

Mr. James W. Clement Dressler, Goldsmith, Clement, Gordon & Ladd Prudential Plaza Chicago, Illinois 60601

Re: Solex v. Midwest

Dear Jim:

Because I was an attorney of record in the above case in Chicago which was recently settled, I believe I should mention a matter which comes to my mind in connection with the enclosed copy of a letter dated November 5, 1963, which PCL has apparently sent to its licensees.

I am not familiar with the details of the settlement, but as I recall, we both were of the view that the PCL license, in its present form, might be contrary to the antitrust laws because it specifically required payment of royalties on unpatented items; and if it should ever be so held, Midwest might receive some antitrust repercussions because, by authorizing PCL to include the Hornstein patent in its present license contracts, Midwest might be held to be participating with PCL in the use of this particular form of license agreement.

What do you think?

Sincerely

/c/ C. M. of Mason & Graham

CM R Enc.

In the

United States

COURT OF APPEALS

for the Ninth Circuit

THE PLASTIC CONTACT LENS COMPANY, a corporation,

Defendant-Appellant,

v.

GEORGE H. BUTTERFIELD, SR.,

Plaintiff-Appellee.

APPELLEE'S ANSWERING BRIEF

FILED

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Portland, Oregon
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Los Angeles, California
Attorneys for Appellee

FRANK H. SCHMID, CLERK

FILED

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EVENS-NESS LAW PUB. CO., PORTLAND, ORE.



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KEY TO ABBREVIATIONS

In the main, in this brief, Defendant-Appellant, The Plastic Contact Lens Company, will be referred to as "Plastic" and Plaintiff-Appellee, George H. Butterfield, Sr., as "Butterfield."

Patent No. 2,510,438 will be referred to as the "Tuohy" Patent and Patent No. 2,544,246 will be referred to as the "Butterfield" Patent.

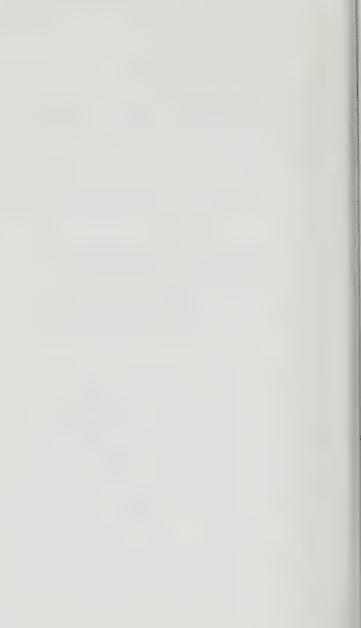
References to "App." refer to the Appendix to the Butterfield brief unless specifically cited as "Plastic's App."

References to "Br." refer to Butterfield's brief unless specifically referred to as "Plastic's Br."

References to exhibits offered by Butterfield will be "Ex." and a numerical designation (e.g., Ex. 1) while references to Plastic's exhibits will be "Ex." and an alphabetical letter (e.g., Ex. RR), as this was the method of identification employed by the trial court.

References in the brief to Findings will be to "F." while references to Conclusions will be to "C".

As a convenience to this Court and pursuant to its Rules, the Findings and Conclusions of the trial court with supporting documentation to the Record and Evidence, are fully set forth in the Appendix (App. 1-66). Those Findings and Conclusions challenged by Plastic in its Specification of Errors (Plastic Br. 39-47) are marked with a "C" in the margin of the Appendix in order that such challenged Findings and Conclusions may be readily distinguished from those unchallenged.



United States COURT OF APPEALS

for the Ninth Circuit

No. 20,212

THE PLASTIC CONTACT LENS COMPANY, a corporation,

Defendant-Appellant,

v.

GEORGE H. BUTTERFIELD, SR.,

Plaintiff-Appellee.

APPELLEE'S ANSWERING BRIEF

I. PRELIMINARY STATEMENT

Plastic concedes that the facts as found by the trial court are essentially undisputed (Plastic's Br. 10). Then, however, under the subheading "The Questions Involved", (p. 7), Plastic proceeds to emasculate and obscure the facts and issues by posing them as loaded hypothetical questions lacking any evidentiary foundation. This action was tried on a stipulated pre-trial order (R. 44, et seq.) in which the issues and contentions of the parties are clearly stated. Plastic's brief does not mention or follow the pre-trial order although it superseded the pleadings which passed out of the case.

Contrary to the opening paragraph of Plastic's brief and the repeated arguments in similar vein thereafter, this is not primarily a patent case but rather one in which the trial court in detailed findings after a lengthy trial and voluminous record found Plastic, the holder of the Tuohy contact lens patent, to be guilty of extreme acts of patent misuse, misrepresentation, unfair competition, business interference, and violation of the antitrust laws, all committed against Butterfield. the owner of the Butterfield Patent, also covering corneal contact lenses. The patents of the contending litigants are only collaterally involved to the extent that they enable the court to weigh the import of and motives behind Plastic's wrongful conduct. The primary issues, in view of Plastic's Specifications of Error (Plastic's Br. 39-47) consist of determining whether or not the detailed findings and conclusions of the trial court, setting forth acts of patent misuse and tortious trade misconduct by Plastic, are supported by the record and by the law.

II. FURTHER STATEMENT CONCERNING PLEADINGS AND JURISDICTION

Butterfield's contentions are set forth in detail in the pre-trial order (R. 48, et seq.). Summarizing them in general terms only, they set forth in substance that, since April 1962, the date of the settlement of the former litigation between the parties in the District of Oregon, Plastic wrongfully excluded Butterfield, owner of the Butterfield Patent, from legitimate licensing revenue and business by misrepresenting to the trade the nature of the settlement and termination of the prior litigation and the scope of the Tuohy and Butterfield Patents; by employing and enforcing the accused royalty base by which Plastic requires its li-

censees to pay royalties on all lenses and lens materials, whether patented or unpatented; by coercive litigation against lens manufacturers and others who dealt with or threaten to deal with Butterfield to become licensed under the Butterfield Patent; and by indemnifying and offering to indemnify all lens manufacturers against infringement of the Butterfield Patent. The pre-trial order, after detailing Butterfield's contentions with respect to the foregoing, stated that the major issues to be tried were whether Plastic's conduct constituted (1) Unfair Competition, Wrongful Business Interference, (3) Violation of the Anti-Trust Laws, (4) Breach of the implied covenants of good faith arising from the settlement of the former litigation between the parties in April, 1962 (See App. 91-92, for statement of major issues as set forth in Pre-Trial Order).

Additional issues are set forth in the pre-trial order. Three of them involve the question as to whether or not the settlement of the prior action between the parties in the Federal District Court for Oregon terminated in April, 1962, constituted some kind of res adjudicata against any of the claims asserted by Butterfield in the current litigation. The trial court in its findings (F. 26, 27; App. 20-21) ruled that the settlement had no such effect and Plastic's brief apparently abandons any such contention. The remaining issues to be tried, on the claims asserted by Butterfield as set forth in the pre-trial order, all concern related collateral matters of equitable relief, damages, irreparable injury, accounting, and injunctive relief.

Plastic also asserted a counterclaim against Butter-field which it describes in its statement of the pleadings (Plastic's Br. 4, pre-trial order, R. 65, 69) but, at the trial below, abandoned virtually all of the charges in its counterclaim except those centering about assertions

that Butterfield, in dealings with the trade, had misrepresented the scope of his own and of the Tuohy Patent. In the trial below, the court found against Plastic on its counterclaim and entered a judgment for its dismissal (R. 154). The court's judgment also permanently enjoined the conduct of Plastic, previously described in summary form (R. 154), the judgment having been entered April 23, 1965. The judgment also directed an accounting for damages, directed that Butterfield's damages, when ascertained, be trebled, because of its finding of violation of the antitrust laws, and awarded attorneys' fees in an amount to be thereafter fixed by the court on the further hearings.

The jurisdiction of the trial court is founded upon 28 U.S.C. §§ 1331, 1332 and 2201-2202, and 15 U.S.C. §§ 1, 2 and 15.

The pleadings showing the existence of jurisdiction are the plaintiff's complaint (R. 1-10) and the pre-trial order (R. 44-76).

III. QUESTIONS INVOLVED

The trial court entered detailed findings of fact and conclusions of law after a lengthy trial consisting of four volumes of testimony and proceedings, comprising 726 pages, and the many hundreds of exhibits described in a list attached to the pre-trial order (R. 77-103). (Also see Plastic's App. 2a-4a). Because it is Plastic's burden on this appeal to show that the trial court's findings of fact are clearly erroneous and that its relevant conclusions are legally unsound, and because of the importance of these findings and conclusions, they are set forth in their entirety, along with supporting documentation to the record and evidence, in the Appendix to this brief (App. 1-66).

In the interests of space, this brief, in discussing

statements of fact, will, in most instances, simply refer to the findings in the Appendix attached to this brief which in turn contain full documentation.

The following is submitted in lieu of Plastic's version, as a more accurate statement of the questions tried out below and involved in this appeal:

Did any one or more of the following types of Plastic conduct as set forth in the findings of the court below, either singly or in combination, and occurring since April, 1962, constitute unfair competition, violation of the antitrust laws, wrongful interference with Butterfield's legitimate business interests or expectations, or breach of the good faith obligations of the settlement agreement between the parties resulting from the former litigation:

A. Plastic's misrepresentations to the trade as to the scope of its own patent, the scope of the Butterfield Patent, and the nature of the settlement which it had made in April, 1962, with Butterfield, after it had acknowledged in the settlement that its predecessor, Solex, had infringed the Butterfield Patent and Plastic paid \$66,000.00 infringement damages as a part of the settlement and after it had previously taken a license under the Butterfield Patent and paid \$50,000.00 therefor.

B. Plastic's enforcement and use of a royalty base with its 165 licensees, comprising a substantial majority of the manufacturer's market in corneal lenses, the base being directly calculated on all lenses, patented or unpatented, finished or unfinished, handled by the licensee, having the effect of excluding Butterfield from the license market for devices covered by his own patent.

C. Plastic's offer of indemnity to its licensees specifically against claims for infringement of the Butter-

field Patent, not conditioned in any manner that indemnity was extended only if the licensee handled or manufactured Tuohy lenses.

D. Plastic's institution of groundless and coercive litigation against certain of its licensees and others who dealt with Butterfield, claiming damages for conspiracy, when such charges were wholly unfounded and when such litigation had the effect of discouraging Butterfield's prospective licensees from dealing with him?

Plastic's statement of the questions involved is in fact an attempted argument and more properly belongs in the argumentative portions of its brief. The first two questions posed by Plastic, dealing with the scope of the two patents, are corollary to the other issues already described. Concerning scope, the patents, their history, the past dealings of the parties with one another and other evidence show clearly, as will be demonstrated in later portions of this brief, that the Butterfield Patent has substantial useful scope, that its teachings are widely adopted in the trade, but that Plastic's misconduct has wrongfully deprived Butterfield of substantial license revenues, much of which has been, in effect, stolen or appropriated by Plastic by means of the conduct previously set forth.

Later portions of the brief will also set forth valid reasons why *Automatic R. Mtg. Co.* v. *Hazeltine Research*, 339 U.S. 827 (1949), does not justify Plastic's enforcement of an unrestricted total volume unitary royalty base.

IV. SUPPLEMENTAL STATEMENT OF FACTS

For two reasons, it is necessary that Plastic's socalled "Statement of Facts" be substantially supplemented. The first is that substantial and material factual matters are omitted or misstated. The second arises from the necessity of setting forth in some detail the substance of the evidence appearing in the record which amply sustains the findings of the trial court, most of which are challenged by Plastic (Plastic's Br. 39-47).

The trial court, as appears in its Findings (App. 1-61), regarded the long history of dealings and past relationships between Plastic and Butterfield and with the contact lens trade as highly relevant. In this Statement of Facts these will first be outlined and a subsequent portion of the Statement will be devoted to a discussion of the more technical matters involving the scope of each patent.

A. Dealings And Acts Up To And Including Conclusion Of The Former Litigation By Settlement And Consent Decree

- 1. Prior to the acquisition by Plastic of all of the capital stock of Solex, which then owned the Tuohy Patent, it was defendant in an infringement action brought against it by Solex, for claimed infringement of the Tuohy Patent, Solex Laboratories, Inc. v. Plastic Contact Lens Co., 268 F.2d 637 (7th Cir. 1959). In this action. Plastic charged in verified pleadings and affidavits (Ex. 66, 67) that Solex had practiced deceit and coercion and misused the court opinion of Judge Tolin [Solex Laboratories v. Graham, 165 F. Supp. 428 (S.D. Cal. 1958)] for the purpose of coercing manufacturers of lenses into entering into license agreements with Solex under the Tuohy Patent and had misrepresented the scope of the Tuohy Patent. In the same action Plastic challenged the validity of the Tuohy patent. Plastic obtained a temporary injunction against Solex prohibiting the described conduct (F. 6, 13; App. 3, 9).
 - 2. Prior to Plastic's purchase of Solex it was defend-

ing through its own counsel three of six companion cases in the Southern District of California, one of which is Solex Laboratories v. Graham, supra, and there contending that the Tuohy Patent was invalid and had not been infringed. Appeals were prosecuted in these cases which did not result in an adjudication on the merits because they were dismissed as a part of the transaction by which Plastic acquired Solex (F. 10; App. 7).

- 3. Neither the Solex Laboratories v. Graham litigation, supra, nor the earlier case of Pacific Contact Laboratories v. Solex Laboratories, 209 F.2d 529 (9th Cir. 1953), in any manner involved Butterfield or the scope or validity of the Butterfield Patent (F. 11; App. 8).
- 4. Prior to Plastic's acquisition of Solex, and in May, 1960, it sought and acquired from Butterfield a license under the Butterfield Patent, paying a total consideration of \$50,000.00 therefor. This license was acquired by Plastic from Butterfield when Plastic was not only attacking the Tuohy Patent but was challenging coercive and deceptive practices of the then Tuohy Patent owner, Solex (F. 14; App. 10). The taking of this license under these circumstances was found by the trial court to be substantial evidence of recognition by Plastic not only of the validity of the Butterfield Patent but of the fact that the Butterfield lens had substantial utility and acceptance in the trade (F. 12(b); App. 8).
- 5. At the time Plastic purchased Solex in November, 1960, an action was pending in the United States District Court for the District of Oregon by Solex against Butterfield, asserting infringement of the Tuohy Patent by Butterfield and by a corporation, Butterfield & Son, and Butterfield, in turn, denied the infringement, asserted the invalidity of the Tuohy Patent and

charged infringement of his own patent by Solex. After Plastic acquired Solex in November, 1960, Plastic was added as a plaintiff against Butterfield in this Portland litigation. Butterfield then obtained, after hearing, a temporary injunction against Plastic, on September 10, 1961, prohibiting Plastic from bringing or continuing the prosecution of actions against licensees of Butterfield for infringement of the Tuohy Patent, from notifying the trade that lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, from threatening to sue licensees of Butterfield because of alleged infringement, from notifying the trade that the Butterfield Patent is inoperative and from notifying the trade that it could manufacture and sell lenses under the teachings of the Butterfield Patent without infringing it. Solex Laboratories, Inc. v. Butterfield, 202 F. Supp. 461 (D. Or. 1961) (F. 15; App. 10-11).

6. With this background, and after extensive discovery, the Portland litigation between Plastic and Butterfield was settled in April, 1962. The more relevant parts of the settlement consisted of the entry of a consent judgment adjudging the validity of the Butterfield Patent and that it had been infringed by Plastic's predecessor, Solex (by the making of Butterfield-type lenses), and that settlement had been made by Plastic for such infringement damages. Neither the settlement documents (Ex. 2-3) nor the consent judgment (Ex. 1) contained any confession by Butterfield or adjudication of the validity of the Tuohy Patent, though the corporation. Butterfield & Son, which was granted a royalty-free license under the Tuohy Patent as a result of the settlement, did confess the validity of the Tuohy Patent. The unfiled settlement documents (Ex. 2-3) show clearly that Plastic, as settlement for the acknowledged infringement of the Butterfield Patent by Solex, paid or agreed to pay Butterfield approximately \$66,000.00, and they show further that both Plastic and Butterfield obtained the right to solicit licenses from the other's licensees and enforce their patents against such licensees by court action (F. 21-25; App. 14-20). The trial court found that this settlement constituted another substantial recognition by Plastic not only that the Butterfield Patent was valid but that it had substantial useful scope and acceptance in the trade (F. 12(c); App. 9).

The consent judgment constituted res judicata precluding Plastic from attacking the scope of the Butterfield Patent, because the lenses there involved were the same as those in the present controversy.

It was, of course, presumed, at least by Butterfield, that the conclusion of that litigation clarified and settled the status of the respective Tuohy and Butterfield Patents in the corneal contact lens manufacturing industry, as well as between the parties. Such clarification was sorely needed in the industry because, in establishing the Tuohy Patent licensing program which Plastic acquired and has since continued, Solex, by an extensive campaign of fraud, deception and coercion involving misuse of court opinions, had created a state of confusion throughout the industry as to whether or not the Tuohy Patent covered or had been adjudged to cover all corneal contact lenses.

Plastic, since the time of the settlement of the former litigation, never attempted to disassociate itself, in its trade contacts, from Plastic's wrongful conduct enjoined by the court in the Portland litigation or from the earlier similar conduct of Solex enjoined in Illinois (F. 16; App. 11, 12).

- B. Dealings And Acts After Conclusion Of The Former Litigation
 - Since Conclusion Of The Former Litigation
 Plastic Has Enforced Its License Contracts In A
 Manner To Exact Royalties On All Lenses,
 Whether Finished Or Unfinished, Patented Or
 Unpatented, Including Butterfield Lenses
- (a) Plastic, during this period, was actively engaged as a manufacturer of corneal contact lenses and controlled approximately 22% of such business (Ex. 12, p. 106) and was also actively engaged in promoting license agreements under the Tuohy Patent. At the time of trial, in addition to its principal office, it had 24 branches throughout the United States (F. 2, 36; App. 2, 31) and was, in effect, competing with its own licensees.
- (b) When Plastic acquired Solex, the latter had obtained 56 licensees under the Tuohy Patent-all obtained after the "Memorandum of Decision" which was rendered in Solex Laboratories v. Graham, 165 F. Supp. 428 (S.D. Cal. 1958) and which the court in Solex Laboratories, Inc. v. Plastic Contact Lens Co., 268 F.2d 637, 641 (7th Cir. 1959) found to have been improperly used by Solex in coercing manufacturers to sign license agreements under the Tuohy Patent by deceiving them into believing that the Tuohy Patent covered all corneal lenses. In April, 1962, when the former litigation between the parties was concluded, Plastic had obtained a total of 110 licensees, including those which had been acquired by Solex. At the time of the trial of this action, Plastic had acquired 165 licensees-representing more than 50% of the 300 odd corneal lens manufacturers. As stated in its brief, at p. 24, Plastic converted those license agreements, which only required royalties on lenses covered by the Tuohy Patent, to the present form which it has enforced to require payments on the

herein accused royalty basis (F. 17, 26, 27b; App. 12-13, 20, 21-22).

- (c) In addition to selling finished lenses corneal lens manufacturers sell a large number of pieces of lens materials known as "unfinished" or "uncut" lenses, which are unpatented. The purchaser then fabricates those unpatented pieces of material into finished lenses under the Tuohy Patent, the Butterfield Patent, or any other patent (F. 28; App. 27-28).
- (d) Plastic concedes in its brief that it consistently requires its licensees to pay royalties on all lenses whether finished or unfinished, patented or unpatented, including Butterfield lenses and there is no showing that Plastic attempted to require of its licensees, as did Butterfield in his licensing, that unfinished or uncut lenses sold by the licensee be sold on condition that the lenses be finished in accord with the Tuohy Patent. While Butterfield employs several different specific forms of license agreements, none of them requires the payment of royalty on any lens not covered by the Butterfield Patent. In fact, if a Butterfield licensee sells a lens in an unfinished or uncut state, he must sell it under the express condition that it can only be finished in accordance with the Butterfield Patent (F. 57 (c) (iv); App. 55). As found by the trial court in the same finding, no witness was called by Plastic either from the trade or from its staff to establish its claim that there existed any administrative, accounting or other reason which necessitated its enforcement of the accused royalty base.
- (e) Plastic's accused licensing program, covering as it did all types of lenses, and covering the vast majority of lens manufacturers, was highly successful as is borne out by the record which shows that, since April, 1962, up to the time of trial, Plastic collected \$459,-314.00 in royalties (F. 32; App. 29).

- (f) Since the time of the settlement of the former litigation in April, 1962, Butterfield acquired a total of 23 new licensees, in addition to the 12 he had at the time of the settlement. Up to the time of trial no new ones had been added since August, 1963, and those acquired since settlement of the former litigation were small in royalty revenue. The Butterfield formula for royalties worked out at a royalty of slightly less than 50¢ per lens in most of the license agreements (F. 35, App. 30; F. 38, App. 31).
- (g) At the time of trial the prevailing prices at which a licensed manufacturer sold lenses had gone down to a price of \$3.00 for each uncut or unfinished lens and \$3.75 for each finished lens, and this had been the result of a highly competitive situation prevailing in this branch of the trade. The lower court determined that the ordinary manufacturer with the low sales prices of his lenses could not afford to pay double royalties amounting to almost \$1.00 per lens without serious economic stress and many licensees of Plastic, comprising a substantial part of Butterfield's potential market for his license agreements, declined to deal with Butterfield because they could not afford to pay a royalty on the finished lens after having paid Plastic a royalty on the unpatented materials used to manufacture the finished lens (F. 37, 39, 41, 56(a); App. 31-33, 51).

As will be demonstrated later, the use of Plastic's accused royalty base, accompanied by the low prevailing market prices of lenses, had the practical effect of excluding Butterfield from the license market. A comparison of the list of license prospects called upon by Butterfield for the purpose of obtaining licensees between April, 1962, and the time of trial (Plastic's App. 123-125) with the list of Butterfield licenses, together with the dates upon which they were obtained, and the

list of Butterfield delinquencies (Ex. 73 and 74, Plastic's App. 34, 35), shows that since the settlement Butterfield attempted to obtain licenses from 51 prospective licensees and succeeded only in obtaining agreements from 23, of which some seven or eight have become delinquent.

Plastic's Misrepresentations To The Trade As To The Terms Of The Settlement And Conclusion Of The Former Litigation And the Operative Nature Of The Butterfield Patent.

During Butterfield's activities in the field, Butterfield repeatedly received statements and communications from persons interviewed or solicited that they were making a Butterfield-type lens but that they would not or could not pay double royalties. In most instances Butterfield or others either viewed the lenses or obtained samples to establish that a Butterfield-type lens was involved (F. 43; App. 33-34).

Several manufacturers and dispensers were called by Butterfield who testified to the substantial use of Butterfield lenses in their own operations and described the type of lens they deemed to comply with the teachings of the Butterfield Patent (App. 71-79). The trial court determined that large numbers of manufacturers who held Plastic licenses under the Tuohy Patent and were paying on the basis of Plastic's accused broad royalty base were making Butterfield lenses but declined to deal with Butterfield nevertheless (F. 43, 44, 45; App. 33-35).

In October, 1962, Plastic sent out to the trade a circular letter (Ex. 53) in which it purported to explain the nature of the settlement which it had made with Butterfield. The lower court found that the circular contained both misrepresentations and omissions of relevant facts which constituted fraud or concealment damaging to Butterfield (F. 46; App. 35-37).

Some of the items of misrepresentation or concealment were these:

- (a) A statement that Plastic had "recently settled" when in fact the settlement had been made six months previously.
- (b) A statement that Plastic was fully released from all claims alleging infringement of the Butterfield Patent whereas no statement was made that Butterfield and Butterfield & Son were similarly released as to the Tuohy Patent; no statement was made that Plastic had acknowledged that Solex had infringed the Butterfield Patent, that Plastic, as a result, had agreed to pay Butterfield infringement damages or, even, that Plastic itself held a Butterfield license.
- (c) A statement that four existing Butterfield licensees had been granted royalty-free licenses under the Tuohy Patent in the settlement because Butterfield had indemnified them against liability arising from their infringement of the Tuohy Patent. In fact, no such indemnity agreement had been given by Butterfield to his licensees, except in the case of one of them, [Titmus, whose indemnity was limited to the making of Butterfield lenses (Ex. 117)], and there had been no showing that any Butterfield licensee had infringed the Tuohy Patent.
- (d) The communication does not set forth that, as a part of the settlement, Plastic recognized the validity of the Butterfield Patent and that the settlement agreement expressly recognized the right of each party to solicit the other's licensees and to bring infringement actions (F. 46; App. 35-37).

The lower court found that, to a trade then under active solicitation by Butterfield, these misrepresentations and omissions severely impaired Butterfield's licensing efforts (F. 46; App. 35-37).

The court further found that Plastic's circular letter was a violation of an understanding made with Butterfield at the time of the settlement that a mutually agreed upon form of trade release concerning it should be sent out to the trade (F. 47; App. 37-38).

Again, as to the settlement, the court found that one of Plastic's counsel had represented to a Plastic licensee (Ex. 69), then under solicitation by Butterfield, that as a part of the settlement, Geo. H. Butterfield & Son had acknowledged that the Tuohy Patent had been infringed by it. Actually, the settlement contained no such confession (F. 54; App. 49).

The lower court further found that since the settlement agreement Plastic had improperly asserted as a trade policy that the Butterfield Patent is inoperative, highly restricted in scope and lacks utility and that Plastic has also, during the same period, asserted an unduly wide scope for the Tuohy Patent (F. 53; App. 49). Excerpts from the deposition testimony of Newton K. Wesley, President of Plastic, clearly establishing this policy of trade misrepresentations appear at App. 93-94.

3. Plastic's Coercive Litigation Against Its Licensees Libeling Butterfield And His Attorneys And Frightening Its Licensees From Dealing With Butterfield

The trial court found that Plastic, after the settlement agreement with Butterfield and after Butterfield had been in the field soliciting license agreements, entered into and carried forward a program of coercive litigation directed against its licensees and others designed to prevent and discourage lens manufacturers from dealing with Butterfield even though they were in fact making Butterfield lenses. The Findings and record citations supporting this Finding of Fact by the Court are lengthy, consisting of several pages, known

to the record as Findings 50, 51 and 52 (App. 39-49). Because of space limitations the detailed evidence supporting the Court's Findings can be referred to only in the Appendix by brief references to the transcript and Exhibits. However, an examination of the record will show that these Findings are, as in the case of the other Findings of the trial court, fully justified by the record.

There were at least four items of litigation falling into this category, three of them against licensees of Plastic and one against a manufacturer having no license agreement with Plastic but who engaged in negotiations with Butterfield. Three of the actions, all against Plastic licensees, were in the state courts of California. The first was an action against Security Contact Lens Company of Los Angeles in which the complaint, seeking to collect royalties from a Plastic licensee, contained an unfounded additional count or charge setting forth that the licensee defendant had conspired with Butterfield and his attorneys to damage the Plastic licensing system and contained a prayer for relief for conspiracy or interference damages substantially greater than the amount of any delinquent royalty payments (Ex. 58).

A second action in the state court of California involved litigation by Plastic against Con-Cise Lens Co. of San Francisco. Plastic's pleading in this litigation, without probable cause, contained similar charges of conspiracy on the part of its licensee with Butterfield and his attorneys and again claimed a substantial amount of interference or conspiracy damages (Ex. 137b).

The third action in the California state court was against two licensees of Plastic, known as Marco and Hunt, each of whom was also a licensee of Butterfield.

The complaint in this combined action also named Butterfield and his attorney, Mason, as defendants and charged, without probable cause, that the two Plastic licensees, as well as the Defendants Butterfield and Mason, had conspired to interfere with and damage the Plastic licensing system and prayed for a substantial damage award having no relationship to any delinquent royalty payments (Ex. 137a).

The fourth was an action by Plastic in the Illinois state court against Midwest Scientific Co. of Chicago, a non-licensee of Plastic, suspected of dealing with Butterfield. In the supplemental and second supplemental complaints in that action (Ex. 61, 62) Plastic again charged conspiracy of the type previously set forth, though neither Butterfield nor his attorneys were parties.

In Findings 50, 51 and 52 (App. 39-49), the Court sets forth in detail the complete and dismal failure of Plastic to sustain any of these charges (which were also a part of its counterclaim herein) and concludes from the evidence that these actions were filed for coercive purposes, in bad faith, and for the primary purpose of damaging Butterfield in the promotion of his licensing program.

4. Plastic's Program Of Inducing Infringement Of The Butterfield Patent By Offers Of Indemnity To Manufacturers Making The Butterfield Lens

(a) On December 10, 1962, Plastic sent out a circular letter (Ex. 54) offering to indemnify each of its licensees specifically against claims for infringement by the licensee of the Butterfield Patent and accompanied each letter with a form of indemnity agreement (Ex. 75). Approximately 40 of the Plastic licensees executed the forms (F. 48; App. 39).

- (b) The Court found that the offer of indemnity was made wrongfully, in bad faith, with the intent to injure Butterfield and his licensing program and that it had the effect of preventing him from obtaining additional licenses (F. 55, 56: App. 50-54).
- (c) The wrongful intent and damaging effect of this indemnity offer are well sustained in the record. Among other considerations before the Court were these:
- (i) The indemnity agreement itself significantly failed to condition the indemnity obligation to devices made in accordance with the teachings of the Tuohy Patent but expressly provided that Plastic will indemnify its licensee "against any and all claims for infringement under Butterfield U.S. Patent No. 2,544,246 with respect to devices sold by licensee during the period beginning on the date hereof and ending at such time as this agreement shall be terminated." The usual and customary indemnity agreements are conditioned upon the making by the licensee of a device covered by the patent involved in the license rather than an indemnity for the making or handling of devices made under the teachings of some other patent. This was found to be an invitation by Plastic to its licensees to invade Butterfield's patent monopoly with an assurance of freedom from liability (F. 56 (c); App, 53-54). It should not be overlooked, as to this indemnity, that Plastic, by the consent judgment and its license from Butterfield, was precluded from attacking the validity of the Butterfield Patent. It is doubtful, therefore, that Plastic was legally capable of carrying out its offer of indemnity. Certainly it was a breach of the implied terms of the settlement agreement.
- (ii) Prior to Plastic's offer of indemnity to its licensees it had been approached repeatedly by various of its own licensees who stated that they had been so-

licited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses (See App. 85-90 for typical correspondence) and concern was expressed on the part of several such Plastic licensees as to whether they were justified to continue to deal with Plastic and pay double royalties. This Finding is supported by some sixteen items of correspondence between Plastic and its licensees, as will be seen in the Appendix (F. 56 (a); App. 51-52). In Plastic's letter of December 10, 1962 (Ex. 54), transmitting the indemnity form to its licensees, Plastic stated that "concern was expressed by a few of our licensees * * * that they might be exposed to liability under the Butterfield Patent." The Court found that Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves by taking a Butterfield license and that Plastic made the offer of indemnity to maintain its own predominance and illegally prevent its licensees from dealing with Butterfield by offering them full indemnity, even though they made Butterfield lenses (F. 56 (b); App. 52-53).

(iii) The effectiveness of the indemnity offer in damaging Butterfield is further discussed in Finding 55 (App. 50-51) involving litigation brought by Butterfield against two Plastic licensees in Portland and Vancouver (Northwest-Northern of Portland and Rich-Tint of Vancouver, Washington). A third action was against a Portland Plastic licensee, Columbian Bi-focal, where an infringement action was prepared by Butterfield's attorneys but was not filed because a license agreement was obtained. The two actions actually filed were settled by the taking of a license. Plastic's assertion that Butterfield filed no such infringement action (Plastic's Br. 75) is clearly false. In all three instances the record contains the correspondence between the

Plastic licensee or its attorneys and Plastic, bitterly complaining of Plastic's unwillingness to extend indemnity against infringement for claims of the Butterfield Patent. (See App. 85-90 for typical correspondence.) From this correspondence the conclusion is inescapable that, if any of these Plastic licensees had previously obtained an indemnity agreement from Plastic it would not have settled with Butterfield by taking a Butterfield license. In each instance Butterfield had satisfactory proof that the Plastic licensee was making a Butterfield-type lens.

C. The Three Types Of Butterfield License Agreements

The Butterfield license agreements (Ex. 117) fall into three categories:

- 1. The form which requires the licensee to pay a royalty of five per cent "of the gross sales price of all corneal contact lenses coming within the scope of the claims of the Butterfield patent." The paragraph numbered 2 of this contract form which Plastic quotes with emphasis at page 28 of its brief, is not the royalty clause, as Plastic would have this Court believe. It is simply a rule of thumb statement distinguishing the bicurved Butterfield lens from the other lenses of the single curve type. The royalty clause of the contract (paragraph numbered 3) expressly provides that royalties are to be paid only on sales of lenses "coming within the claims" of the Butterfield patent.
- 2. This form requires a royalty of fifty cents per lens embodying the invention of the Butterfield patent or sold by the licensee subject to the express condition that it must be finished only in accordance with the Butterfield Patent.
- 3. The royalty paid-up form of license which, for a flat sum payable in cash or in installments, grants

to the licensee the privilege of manufacturing an unlimited number of lenses under the Butterfield patent. The amount of the paid-up sum is estimated on the basis of the licensee's sales capabilities during the previous 12-month period. The term of each of those licenses is for the life of the patent which last expires, although it does not require or include any royalty payment under either of the licensed patents after it has expired.

D. The Scope Of Each Involved Patent And Trade Usage Of The Teachings Of Butterfield

The trial court accurately summarized (F. 7, 8; App. 4-7) the essential differences between the Tuohy and Butterfield Patents. The following excerpts are quoted:

- "7. There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.
- "(a) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has miscroscopic irregularities.
 - "(b) The Butterfield lens is also substantially

parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion conforms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea that it provides uninterrupted flow of tear or lachrymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the 'bicurve conforming type.'

"The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended * * *"

* * * * *

"(c) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius 'flatter,' or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the 'flatter type lens.'

"Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens. * * *"

* * * * *

"8. The trade in contact lenses both at the manufacturing, dispensing and fitting levels, has recognized that there are substantial differences between

the two patents, and a very substantial volume of this trade is now and for some time last past, including the period since April, 1962, has consisted of the 'bi-curved conforming' Butterfield-type lenses."

The Court further found (F. 62, 63; App. 59-60):

"62. The Court has already determined that substantial numbers of corneal contact lenses fitted and sold in the market today embody the principles of the Butterfield invention and are covered by the Butterfield Patent, and the Court expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent.

"63. The Court further finds that the Butterfield Patent has been infringed by many of Plastic's licensees."

To avoid unnecessary repetition, the additional factual material and the legal arguments concerning scope of the respective patents and the clearly established widespread use of the Butterfield lens, both by Plastic licensees and the trade in general, will appear in the argument portion of this brief (Br. 30-50).

V. ARGUMENT

A. Summary Of Argument

The findings are not "clearly erroneous." On the contrary, they are fully established by the evidence and support the conclusions and judgment. Fed. R. Civ. P. 52 (a).

After the prior Portland patent action between the

parties was concluded by the Settlement Agreement, Stipulated Facts and Consent Judgment (Ex. 1-3), Plastic's licensees became disillusioned as to the misrepresented all-inclusive scope of the Tuohy Patent and began to revolt against paying royalties under their license agreements (See typical correspondence, App. 85). Then, to block Butterfield's licensing program and to preserve its illicit royalty income, Plastic engaged in the here accused interrelated acts of antitrust law violation, unfair competition and wrongful business interference; all to the substantial damage of Butterfield and the public.

All matters of patent scope, insofar as concerns the lenses of the respective Tuohy and Butterfield Patents here involved, were concluded, as issues, in the former patent litigation, except to the extent that they may be collaterally related to the here accused acts of Plastic.

Plastic's conduct of enforcing its licenses in an illegal manner to exact royalties on unpatented materials is not within the rationale of the *Automatic Radio Mfg. Co. v. Hazeltine Research Inc.*, 339 U.S. 827 (1949), on which Plastic relies as justification.

B. The Trial Court's Findings May Only Be Set Aside If Found Clearly Erroneous

This appeal boils down to the question of whether Plastic's complained of conduct was wrongful and harmed Butterfield. Plastic's position appears to be a demurrer to the evidence. Plastic's Brief admits that "the facts * * * are essentially undisputed * * *" (Br. 10) and Plastic contends, although it did the acts of which Butterfield complains, that such acts were not wrongful. The determinations that Plastic's actions were wrongful and resulted in substantial damage to Butterfield are, to a great extent, based on findings of Plas-

tic's bad faith and wrongful intent. Such findings of fact by the trial court should not be set aside unless "clearly erroneous."

The "clearly erroneous" rule of Fed. R. Civ. P. 52(a) was formulated, among other reasons, to give due regard to the trial judge's better opportunity to weigh the evidence and to discourage appeals such as Plastic's in the instant case where the appeal is apparently based on the hope that the appellate court will second guess the trial court. Regardless of what decision this court might reach if it were considering the evidence in the first instance, it should not disturb the trial court's findings unless clearly erroneous. Puget Sound Pulp & Timber Co. v. O'Reilly, 239 F.2d 607, 609 (9th Cir. 1956).

This case is complex and presents a voluminous record. In *Dickson* v. *Burnham*, 197 F.2d 973, 977 (2nd Cir. 1952), *cert. denied* 344 U.S. 875 (1952) the court said:

"Especially in litigation where issues are singularly complex and the evidence adduced unusually voluminous ought the determinations of the trial court serve as direction and guidance for appellate review."

Deference to the trial court's findings is particularly appropriate in the instant appeal where this case must be viewed in the light of the previous litigation between these same parties. As Judge Kilkenny was the trial judge in both the earlier litigation and the present case there can be no one better qualified to make findings of fact on the complex issues here presented. This is particularly true with regard to Plastic's wrongful use and breach of the settlement agreement concluding the original litigation between these parties. In Finding 73 (App. 61) J. Kilkenny said:

"The Court has carefully observed the manner and demeanor of the plaintiff and each of his witnesses, while on the witness stand, and, is convinced that plaintiff and each of said witnesses is worthy of belief."

The evidence upon which the trial court based its findings of fact was both oral and documentary although Plastic's brief ignores most of the oral evidence and documentary evidence unfavorable to Plastic's position on appeal and Plastic's brief greatly overemphasizes the importance of certain of the documentary material in the United States Patent Office. This appellate court's landmark opinion in Lundgren v. Freeman, 307 F.2d 104, 113 (9th Cir. 1962) (hereinafter cited as Lundgren) involving a suit to reform a written contract for mutual mistake, held that it was bound by the "clearly erroneous" rule and could not substitute its judgment for the trial court's although the issue was decided on written evidence alone. 2B Barron and Holzoff, Wright, Federal Practice and Procedure (Rules Ed.) § 1132, at page 96 of the pocket part to that work, savs of Lundgren, supra:

"This forthright scholarly opinion, if heeded elsewhere, should end any doubt as to the scope of review of findings of fact."

Lundgren, supra, is also a very important precedent in the instant appeal for Plastic apparently seeks to expand the scope of review on appeal by contending that the trial court's findings of fact were conclusions of law (Plastic's Br. 40). In Lundgren this Court endeavored to formulate a test for distinguishing between findings of fact and conclusions of law. At page 115 of that opinion it was said:

"A finding of fact, to which the clearly erroneous rule applies, is a finding based on the 'fact finding tribunal's experience with the main springs of human conduct.' A conclusion of law would be a conclusion based on application of legal standard."

* * * * *

"In the principal case the finding of mutual mistake can be fairly said to be derived not solely from application of legal standards, but from the trial judge's experience with human affairs." (Emphasis supplied)

The paragraph last quoted above, when paraphrased, is directly applicable to the case at bar for it is obvious from the nature of this case that the trial judge's findings were based on his "experience with the main springs of human conduct" and not derived solely from application of legal standards. Some of the complained of activities of Plastic would not be illegal if not done with the wrongful intent to harm Butterfield; for example, Plastic itself doesn't quarrel with the substantive law that coercive litigation is tortious; rather, Plastic merely argues that the litigation complained of was filed in good faith. This is also true of Plastic's attempted excuse for its wrongful use of the indemnity offer (Plastic's Br. 37, 76). The trial court's findings of Plastic's wrongful intention to harm Butterfield by the complained of activities is clearly a finding of pure fact which this court should accept unless "clearly erroneous."

The following authorities show that each of the trial court's findings which Plastic seeks to circumvent as conclusions of law (Plastic's Br. 40-47) were findings of fact, not law, which may only be set aside if clearly erroneous. Those findings of fact which Plastic specifies as error but which Plastic apparently admits are pure findings of fact and only subject to attack if

"clearly erroneous" are not specifically discussed in this portion of Butterfield's brief as they are clearly supported by the evidence and record.

1. The scope of the Butterfield and Tuohy Patents (Spec. of Err. No. 5 and 6; Br. 40-41) were findings of fact.

Kim Bros. v. Hagler, 276 F.2d 259, 262 (9th Cir. 1960).

2. The existence of a file wrapper estoppel against the Tuohy Patent (Spec. of Err. No. 8; Br. 41) was a finding of fact as "* * * 'the existence of an estoppel is a question of fact.'"

Quon v. Niagara Fire Ins. Co. of New York, 190 F.2d 257, 260 (9th Cir. 1951).

3. The wrongful and improper purpose and use of Plastic's license agreements and royalty base were findings of fact (Spec. of Err. No. 11, 19, 21; Br. 42, 44, 45).

Zajicek v. Koolvent Metal Awning Corp. of America, 283 F.2d 127, 132 (9th Cir. 1960). Switzer Bros., Inc. v. Locklin, 297 F.2d 39, 44 et seq (7th Cir. 1961).

4. The findings that a substantial number of manufacturers make the Butterfield lens and that Butterfield has been substantially damaged are findings of fact (Spec. of Err. No. 12, 13, 20, 22, 24; Br. 42-46).

Switzer Bros., Inc. v. Locklin, supra, at p. 47.

5. Findings that Plastic was guilty of unfair competition in doing the complained of actions may only be set aside if clearly erroneous.

High Fidelity Recordings, Inc. v. Audio Fidelity, Inc., 305 F.2d 86, 88-89 (9th Cir. 1962).

Reachi v. Edmond, 277 F.2d 850, 854 (9th Cir. 1960).

6. Findings of bad faith in Plastic's complained of actions may only be set aside if clearly erroneous.

Lassiter v. Guy F. Atkinson Co., 176 F.2d 984, 993, 996 (9th Cir. 1949).

7. The trial court's findings of fact on the motives and effect of Plastic's complained of actions on the restraint of trade—violation of antitrust law issues may not be set aside unless clearly erroneous.

United States v. Oregon State Medical Soc., 343 U.S. 326, 332 (1951).

United States v. Yellow Cab Co., 338 U.S. 338, 341-342 (1949).

C. The Butterfield "Bi-Curved Conforming" Type Lens Is In Substantial Use, And The Butterfield Patent Has Utility And Differs Substantially From The Tuohy Patent

1. Prior Litigated Patent Cases Involving The Tuohy And Butterfield Patents

The only prior litigated action involving the Butterfield Patent or the Butterfield lens was the prior Portland action hereinabove discussed, and that action was only litigated up to the point of settlement and consent judgment.

The Tuohy Patent has been involved in the following three litigated patent cases, in addition to the prior Portland action, but none of the following actions involved the Butterfield Patent or the Butterfield lens, and in none of those actions was the new item of prior art (Ex. 68; App. 67-69), before the Court.

(a) Pacific Contact Laboratories v. Solex Laboratories, 209 F.2d 529 (9th Cir. 1953). There the Tuohy Patent was before this Court on appeal from a judgment by the late District Judge Ben Harrison, holding the Tuohy Patent valid "but of limited scope" (Ex.

128). In that action the defendant conceded infringement if the patent should be held valid, so there was no issue as to whether or not the claims of the patent were limited by file wrapper estoppel.

This Court sustained the lower court judgment after commenting that the novelty of the Tuohy Patent resided in the fact that the lens was smaller than the limbus of the eye and had a specified relatively longer or flatter radius of curvature than the cornea, by virtue of which it was caused to rest at its center point on the center or apex of the cornea and flare away from the cornea radially outwardly from that point.

That appeal came before this Court on a grossly inadequate record for a patent case, the only prior art produced being the file wrapper art which had been cited and considered by the Patent Office. Because of the absence of better prior art before the court, Solex was able to make it appear that the only contact lens known before was the "scleral" type lens which covered the entire cornea and extended onto the sclera or white of the eye, requiring the use of a chemical buffer solution between the lens and cornea, and which could only be worn comfortably for an hour or so at a time. Thus Solex was able to make it appear that patentee Tuohy was a sort of "pioneer" in the art, which representation is exploded by Ex. 68 (App. 67-69) placed before the trial court in this action.

Ex. 68 is an article published in the April, 1936 issue of Fortune Magazine (12 years before the Tuohy Patent was applied for). The article describes both the "Zeiss" corneal contact lens (smaller than the limbus) and the "Danz" scleral type contact lens, and their substantial sale and use in this country during and prior to 1936. That item of prior art was never before any court prior to this action and was not before the Patent Office when it granted the Tuohy Patent. Plas-

tic's brief conveniently fails to mention this important item of prior art.

- (b) Solex Laboratories v. Graham, 165 F. Supp. 428 (S.D. Cal. 1958). That was a patent infringement action instituted by Solex against six fitters of the flatter type corneal lens, three of whom were customers of Plastic. Those customers were defended by Plastic's counsel. That was a case in which the misused "Memorandum of Decision," referred to in Solex Laboratories, Inc. v. Plastic Contact Lens Co., 268 F.2d 637, 639 (7th Cir. 1959) was rendered. In that case, prior art additional to that before the court in Pacific Contact Laboratories v. Solex Laboratories, supra, was introduced. The late District Judge Tolin sustained the validity of the patent as covering the flatter type lens and, because of what it considered to be the lack of more pertinent prior art, it was also made to appear to the court that patentee Tuohy made an outstanding advance in the art. Those judgments were on appeal to this Court at the time Plastic acquired Solex, and Plastic made it a condition of the acquisition that the appeals be dismissed before being determined on their merits, which was accomplished by the plaintiff waiving the damages and taking injunctive relief (F. 10; App. 7).
- (c) Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra, was a partially litigated patent infringement action on the Tuohy Patent brought by Solex against Plastic. The action was terminated by consent decree and dissolution of the preliminary injunction after Plastic acquired Solex.

2. General Facts Re Corneal Contact Lenses

Both the Tuohy and Butterfield Patents relate to corneal contact lenses. As the name implies, a corneal

contact lens is one worn on the optical (pupillary) area of the cornea within the boundary of the cornea as defined by the "limbus" (F. 7(a); App. 4). Capillary attraction or surface tension between the lens and the tear film on the eye prevents the lens from falling out. Corneal contact lenses, as such, were being commercially sold and used in this country at least in or before April, 1936, by the Zeiss Company of Germany. That lens was made of glass and, as described in the Fortune Magazine article (Ex. 68), of April, 1936, it "fitted only over the iris and pupil." Subsequently, various inventors, including Tuohy and Butterfield, invented particular improvements in the lens.

3. Plastic Is Estopped By The Former Settlement And Judgment To Claim That The Tuohy Patent Is Of A Scope Embracing The Butterfield Lens, Or That The Butterfield Patent Is Without Utility Or Is Limited Beyond Its Claims.

When Plastic, in the settlement documents (Ex. 1-3, F. 21, 22; App. 14-17) stipulated that the Butterfield Patent was not only valid but had been infringed by its predecessor, Solex, for which it contracted to pay approximately \$66,000.00 as damages, and that Butterfield had not infringed the Tuohy Patent, it clearly established at least two things relevant to the issue of scope and usage of the Butterfield lens:

- (a) That the Butterfield lens had substantial utility, commercial adoption and usage as well as trade appeal;
- (b) That the Butterfield lens was substantially different from the Tuohy lens and that it did not infringe the Tuohy lens.

The latter is a species of res adjudicata or estoppel by judgment adverse to Plastic's position in which it now asserts a narrow and allegedly useless scope for the Butterfield lens. For ought that appears here, the Butterfield lenses challenged by Plastic and Solex in the former litigation were the same as those now before the Court in the instant case, and exemplified in Ex. 122a, a plastic model. Since Plastic admits that Solex made lenses and infringed the Butterfield Patent without obtaining any judgment or commitment that the lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, it is clearly bound to an adjudication in the consent judgment, or to an admission, of substantial utility for the Butterfield teachings, without infringement by a Butterfield device of the Tuohy lens.

Such consent judgments usually have the same effect as ordinary judgments, from the standpoint of estoppel or res adjudicata, with respect to the subject matter before the court. In dealing with the effect of a consent decree in prior patent litigation, *Baltz v. Botto*, 147 F. Supp. 468, 476-477 (W. D. Tenn. 1956), the Court stated:

"The defendant Southern Toy Manufacturing Company, through Willie O. Wetzel, was and is in privity with the party defendants to the Arkansas consent decree, entered December 2, 1952, in Civil Action No. 2461, * * * and, therefore, * * * is bound by said decree and is barred and estopped from contesting the issues of validity and infringement with respect to the single claim of the original Baltz patent reissued as Re. 23,849 and such issues are res adjudicata against Southern Toy Manufacturing Company."

See Ingraham Co. v. Germanow, 4 F.2d 1003 at 1003 (2nd Cir. 1925), a patent infringement suit wherein Judge Hand said:

"The decree entered upon their consent is a

good estoppel, though the issues were not litigated, and while it stands they are as much bound by it as though the later suit had never been brought. (Citing cases)."

Also see J. Kahn & Co. v. Clark, 178 F.2d 111, 114 (5th Cir. 1949), Ventura Consolidated Oil Fields v. Rogan, 86 F.2d 149, 158 (9th Cir. 1936), United States v. Radio Corp. of America, 46 F. Supp. 654, 655-56 (D. Del. 1942), and State ex rel. Dean v. Dean, 136 Or. 694, 698, 300 Pac. 1027 (1931).

Yet Plastic, after having taken a Butterfield license in 1960, which act precludes it from attacking both the validity and utility of the Butterfield Patent [see Bowers Mfg. Co. v. All-Steel Equip., Inc., 275 F.2d 809, 810-11 (9th Cir. 1960), Hall Lab., Inc. v. National Aluminate Corp., 224 F.2d 303, 306 (3rd Cir. 1955), and Application of Nelson, 280 F.2d 172, 178 (C.C.P.A. (Patents)) (1960)], and after becoming a party to the broad consent judgment of April, 1962, now says that its lens, limited under its patent claims to a single curve fulcruming on the apex of the cornea and flaring away radially from the paraboloidal corneal surface, is the only one which covers under modern techniques because, and only because, in the flatter peripheral corneal area, it flares away from the opposite corneal surface, whereas, as Plastic claims, Butterfield, in this peripheral area, must conform with mathematical and geometric precision. See Plastic's brief, among other places, at pp. 19, 22, 23, 65, where this contention is repeated. If the assertion fails, the entire fabric of Plastic's argument fails, because Plastic seeks to justify all of its challenged acts except its accused royalty base on this narrow, technical thread.

4. The Tuohy Patent Is Limited By Its File Wrapper As Well As New Prior Art (Ex. 68), And Is A Mere Improvement And Not A "Pioneer" Patent As Asserted By Plastic

The one and only lens disclosed by the Tuohy Patent is a spherical lens fitting within the limbus and of sufficiently longer radius (flatter) than the curvature of the cornea that it will flare away or provide a gradually increasing clearance between the lens and cornea from the center of the lens outwardly. Plastic's brief seeks to distort that language as meaning that the "center" of the lens there referred to is the entire optical area which occupies most of the lens area. This distortion, however, is directly contrary to the specification of the patent (Ex. 43, Col. 3, lines 39-47), reading as follows:

"Another characteristic of the lens is that it has a radius of curvature slightly greater than the radius of curvature of the cornea to which it is applied or, in other words, the lens is slightly flatter on its concave side than the convexity of the cornea. In this matter the major portion of the contact between the lens and the cornea will occur near the center of the cornea or in the neighborhood of the location indicated at 17."

By referring to the Tuohy Patent drawing (Fig. 1), it will be seen that point "17" is the point of the geometrical center or apex of the cornea. In fact, this Court, in *Pacific Contact Laboratories* v. *Solex Laboratories*, 209 F.2d 529, 531 (9th Cir. 1953) said that the Tuohy lens "rests on the cornea only at its center point."

The lens disclosed and described by the Tuohy Patent is one which fits within the limbus and is distinguished by having its concave surface defined by a spherical curve of uniform radius and which curve is sufficiently flatter or of longer radius than that of the cornea that it will contact the cornea only at its center point and *gradually* flare away from the cornea radially outwardly from that contact point. The curve terminates at the peripheral edge of the lens which is beveled to enable the lens to slide over the limbus onto the white of the eye when it moves in response to blinking of the eyelid.

The Tuohy invention followed by twelve years the commercial exploitation of the Zeiss glass corneal contact lens (Ex. 68) and was undoubtedly popular for a while because it was made of light-weight optical plastic. However, it lost much of its popularity when the Butterfield bi-curved lens was introduced. As the evidence shows, and as Plastic's brief at p. 18 acknowledges "present day lenses are usually bi-curved." Also it is important that Solex was determined in the prior Portland action (Ex. 1) to be making the Butterfield lens and therefore infringing the Butterfield Patent.

Claim 1 of the Tuohy Patent (Ex. 43) reads as follows:

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

Claim 2 reads the same except that it adds that the peripheral edge of the lens has an angular bevel.

The part of that claim which defines the extent to which the lens is flatter or of longer radius than the cornea was a condition precedent to Tuohy obtaining allowance of any claims, as shown by the Tuohy file wrapper, Ex. 113, in which Tuohy at first sought to obtain claims which merely call for the lens to be "flatter" without specifying how much flatter. See original claim 8 reading as follows:

"8. A contact lens applicable to the cornea of the human eye consisting of a generally convex section of transparent or semi-transparent material and characterized by being disposed wholly within the limbus of the eye to which it is applicable and having a flatter curvature than the curvature of the cornea to which it is applicable."

The Patent Office rejected those claims and Tuohy substituted therefor the above quoted claim 1 of his patent.

The file wrapper also shows that patentee Tuohy at first sought to obtain claims whose only material limitation was that the lens be smaller than the limbus. See original claim 1 of the application reading as follows:

"1. A contact lens applicable to the cornea of the human eye consisting of a generally concavoconvex section of transparent material having a diameter slightly less than the diameter of the limbus of the cornea of the human eye but greater than the maximum pupil opening thereof."

That claim was rejected by the Patent Office and cancelled by Tuohy.

Therefore, it is clear that patentee Tuohy is now estopped by file wrapper estoppel to broaden the claims of his patent by interpretation beyond the specific limitations which the patentee necessarily inserted to obtain their allowance.

The physical necessity for the limitation in the Tuohy Patent claims as to its being flatter is important when we consider the parabolic contour of the cornea. In order to fit a spherical lens on a parabolic cornea, it is obvious that the lens would necessarily have to be a great deal flatter in order for the marginal area of the lens to clear the relatively flatter marginal portion of the cornea. Otherwise the lens would fit the cornea like a suction cup.

This is made apparent by the enlarged plastic models, Exs. 122, 122a, 122b and 122c. Ex. 122 is illustrative of the human cornea. Ex. 122a is illustrative of the Butterfield lens, Ex. 122b is illustrative of the Tuohy lens, and Ex. 122c is illustrative of how a conforming spherical lens which has a curvature corresponding to the curvature of the central part of the cornea would fit a parabolic cornea.

Because it is relatively flatter, the Tuohy lens has the "apical touch"—that is, it fulcrums about the apex of the cornea—described by Dr. Conlogue (Tr. 321). Also, as described by Dr. Wesley, President of Plastic, in his patent application, Serial No. 701,153 (Ex. 114, p. 9):

"We have found that when contact lenses are fitted which are flatter (of greater radius) than the ophthalmometer readings, they float around on the cornea and cause considerable abrasion because of their friction there against."

Also, in connection with Plastic's frequent references throughout its brief to the Tuohy Patent as being a "pioneer" patent, it is interesting to note in its file wrapper (Plastic's App. 78a), the following representa-

tion made to the Patent Office to obtain the allowance of the Tuohy Patent claims:

"It is believed that the Patent Office should consequently recognize the merit of this *improvement* by granting the claims herein submitted."

5. Butterfield Has Not Asserted Any Scope For His Patent Broader Than The Clear Language Of Its Claims

In reaching his invention, Butterfield designed his lens to overcome several physical as well as ophthalmological problems. The first one of those problems was the physical difficulty of fitting a spherical lens to a paraboloidal cornea. Another problem was the desirability of obtaining the maximum capillary attraction between the lens and tear fluid to hold the lens on the eve. Still another difficulty was the ophthalmological problem of obtaining proper visual acuity. For instance, the film of tear fluid on a cornea itself has an optical power which must be computed in arriving at the optical power of the lens (Tr. 299). Butterfield realized that a bi-curved lens would better fit a paraboloidal cornea, and he realized that if he made the optical area of the lens to conform to the optical area of the cornea, he would obtain a tear film of uniform thickness between the lens and cornea which would facilitate accuracy in determining the optical power of the lens. Butterfield thus designed his lens to have two curves of relatively different radii, one to conform to the entire optical area of the cornea, and the other to correspond or relate to the marginal area of the cornea in a way to allow for tear circulation, without being spaced from the comea far enough to break the capillary attraction.

The Butterfield invention is described in claim 1 of the patent as follows: "1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea." (Ex. 45).

Plastic's brief, in discussing the Butterfield invention, commits its cardinal error in that it entirely disregards the language of the patent claims, which describe the two curves of relatively different radii, one conforming and the other corresponding. Plastic would have this court believe that both curves necessarily "conform."

The Butterfield lens is popularly referred to in the trade as the bi-curved or "Bi-curved conforming lens," and it is undoubtedly probable that in discussing his lens and patent with members of the trade, he has at times referred to it by the name popularly associated with it in the trade. That, however, does not necessarily mean that the entire lens must conform, contrary to the patent.

There is no evidentiary showing that Butterfield has ever enforced or sought to enforce his patent as covering a lens other than is specifically described in claim 1 of his patent, nor has he made any such contention in this case (F. 71; App. 61). Therefore, there is no question of file wrapper estoppel involved in this ac-

tion in connection with the Butterfield Patent. Before file wrapper estoppel comes into play, a patentee must be claiming more than he specified in his patent claim.

It is true that, before introducing in the patent application the claims which became the claims of the patent, Butterfield had introduced and relinquished claims limited merely to a description of the paraboloidal shape of the lens without specifying the curvature relationship of its respective curves to the cornea. The file wrapper shows that when Butterfield inserted claims defining that relationship, the claims were allowed and became the claims of the patent. Contrary to what Plastic states in its brief (at p. 57), the claims in the application for the Butterfield Patent were not rejected on the Tuohy Patent. The file wrapper (Ex. NN, p. 11) shows that the Patent Office merely cited the Tuohy Patent as "related art" in that it showed a beveled edge and did not cite it for "interference."

In an attempt to show that the application for the Butterfield Patent is not a valid continuation in part of the earlier filed Butterfield application, Plastic bases its argument on a comparison of Fig. 1 of the patent drawing (which is not an enlarged view) with a vastly enlarged fragmentary sectional view of the marginal portion of the lens only in the earlier application. If the two views used by Plastic as its basis of comparison were equally enlarged, the relationship of the secondary curve to the cornea would be approximately the same.

Plastic argues that the Butterfield Patent is not a valid continuation-in-part of an earlier filed application for which the application for the Butterfield Patent was substituted (Plastic's Br. 53). Moreover, this was an issue in the prior Portland action and was determined adversely to Plastic by the Butterfield Patent being declared valid,

so that that issue is no longer debatable. In any event, Plastic's argument is shown to be without merit by the file wrappers of the two applications (Ex. NN, 00).

Research Products Co. v. Tretolite Co., 106 F.2d 530, 535-536 (9th Cir. 1939), was a patent infringement action in which file wrapper estoppel was unsuccessfully urged upon the court to justify a claim of non-infringement. The court found that no file wrapper estoppel existed where the claims of the patent as allowed were broad enough to cover the alleged infringing process even though the file wrapper showed that a withdrawn claim called for the use of a particular element which the trier of facts found fell within the language of the patent claims as allowed. The following is quoted from the opinion:

"Upon the claim of non-infringement the appellants contend that the claims of the patent are limited by occurrences in the patent office shown by the file wrapper. It is shown that claim 14 specifying the use of a sulfonated oil as a treating agent was withdrawn; hence that the 'sulfonated oil' used by the appellants cannot infringe. Claim 14, the special master held, was broad enough to include treatment by modified mineral oils, not shown or included in the specifications and hence the claim was properly withdrawn. In any event its withdrawal did not affect the plain terms of the claims allowed. Such withdrawal would only be important where the allowed claims were ambiguous."

6. The Tuohy And Butterfield Patents Differ Substantially

Additional comparisons between the two patents show that the trade is making the Butterfield lens.

(a) Tuohy nowhere claims or shows in his patent

anything resembling the bi-curved feature of the Butterfield lens which specifically calls for the concave lens surface over the periphery of the cornea "to be formed on a curve different from that of said central area." Tuohy calls only for a single curve having "a radius of curvature * * * slightly greater than the radius of curvature" of the cornea to which it is applied. This is emphasized by the later claim language of Tuohy "so that radially from the center of the lens" there will be "gradually increasing clearance." This language, by no rational stretching, can be made to include any bicurved feature such as is called for by Butterfield.

(b) Butterfield does not, as Plastic asserts, call for conformity in that portion of the lens opposite the periphery of the cornea (the non-visual area of the cornea). In addition to substituting the word "correspond" for the word "conform", in describing the relationship of his lens to the opposite area of the cornea, Butterfield also adds the enlarging and at the same time modifying phrase "whereby space is provided for the natural, uninterrupted circulation of lacrimal fluids between said lens and cornea."

If, in fact, as Plastic erroneously contends, fitting practice is to have the lens slightly flare away in the peripheral area, then assuredly this relationship is called for by Butterfield but only in the peripheral area as distinguished from Tuohy.

The difference in language between that applied by Butterfield to his central curve and that applied by him as to the peripheral curve is significant. Since different language was employed to depict the two areas of relationship, the court should give effect to both and must assume that Butterfield meant a wider degree of latitude for the promotion of adequate tear flow in the periphery than he did in the central area.

- (c) Since the Tuohy lens is not bi-curved to approximate or substantially parallel the paraboloidal corneal contour, it can only be made to flare away in the periphery if it fulcrums on the apex of the cornea and radically departs from the steeper central visual area enough to allow for the flare in the periphery. This bears no resemblance to Butterfield or the fitting of bi-curved lenses in the trade as described by the many qualified witnesses who testified on the trial (App. 71-79) or in the trade literature identified on trial (App. 81-84).
- (d) Of interest in the interpretation of the two patents is the rather obvious circumstance that each device is intended to be applied to a very small and delicate part of the human anatomy, the cornea, which is characterized by many minute surface irregularities. This type of relationship involves a field where mathematical, engineering or geometric accuracy cannot be achieved either in the claims of the patent or in actual practice. Quite obviously some reasonable degree of latitude must be allowed in describing the relationships which can at best only be reasonably accurate approximations. [See F. 7(b); App. 4 and supporting references, particularly the testimony of Dr. McClain, an ophthalmologist called by Plastic (Tr. 620)]. Plastic, while asserting exaggerated elasticity in the interpretation of its claim under the Tuohy Patent in disregard of the fundamental teachings of the specifications, insists on exact minute mathematical precision in the construction of the claims of the Butterfield Patent, by contending for absolute and strict conformity by Butterfield in the periphery, even though his patent claims do not require it.
- (e) The record does not establish that trade practice is to fit the concave peripheral curve so that it flares away from the opposite corneal surface but, rather, that

most fitters seek to achieve a degree of conformity or parallelism in that area as well. (See the testimony of witnesses Butterfield, Conlogue, West (App. 71-79) and the trade literature analyzed at App. 81-84).

(f) Plastic has misconstrued the teachings of the trade literature and what is taught by the fluorescein tests. Its brief (pp. 21, 22) states: "The greater is the clearance between the lens and the eye, the more brilliant will be the fluorescent glow, as the thickness of the tear layer increases." Obviously, increasing the clearance between the lens and the opposite cornea area in its periphery on a uniform, rather than on a divergent, basis increases the space for a tear layer, which the Butterfield Patent teaches; however, this does not mean that the concave lens surface diverges or flares away from the curvature of the cornea. The curvature of each will substantially conform but the fluorescein pattern in the periphery will have a more fluorescent glow than in the visual area where the clearance is closer. If Plastic were right, the fluorescein band in the periphery would not be of a uniform fluorescence but would sharply increase from the inner peripheral edge to the outer peripheral edge.

Yet none of the fluorescein test teachings from the trade cited by Plastic call for this change of shading.

(See Ex. 104-i, Plastic's Br. 22):

"A band of green, preferably not too dark in color, surrounding the lens, and indicating peripheral clearance."

Also see Ex. 104-e, referred to by Plastic, which states: "The dye pool at the periphery should be a wide deep green pool."

While the secondary or marginal curve of the Butterfield lens differs in radius from its medial or primary curve, so does the curvature of the cornea in that non-optical area. On the other hand, a lens in accordance with the claims of the Tuohy Patent will, under fluorescein test, show touch of the geometrical center point of the lens with the center point or apex of the corneal surface, and will show a tear pattern of progressively increasing thickness and glow from the center point of the apical touch radially outwardly to the periphery. A fluorescein test of the Tuohy lens would show no tear pattern where the center of the lens touches the apical surface of the cornea (the touch causes the tear film to be squeezed away from that point).

The Appendix to this brief, pp. 81-84, contains a summary analysis of the trade literature, particularly as it bears on peripheral fit, and, almost without exception, where this relationship is discussed or depicted by fluorescein or otherwise, it does not call for a flaring away from the corneal periphery by the opposite concave surface of the lens.

While, for reasons previously shown, it is clear that Butterfield teachings, as to his peripheral curve, permit a mild degree of flaring away from the corneal periphery, sufficient to allow for the flow of tear fluids, if in fact substantial segments of the trade fit the lenses without such a flaring away characteristic but more in a conforming though less tight pattern then the entire basis of Plastic's attack disappears.

At pages 18-23 of its brief, Plastic continues its attempt to mislead this Court to believe that the Tuohy patent is entitled to a scope which covers all corneal contact lenses, including the Butterfield bi-curved conforming type lens. This it seeks to do by misleading, fragmentary, out-of-context quotations liberally interspersed with conclusions nowhere supported in the evidence. However, in this case we are only concerned with whether or not the Tuohy patent covers the lens of the Butterfield patent, and whether the Butterfield patent covers the lens described in its claims, both

questions having been concluded between the parties adversely to Plastic's contention by the settlement and Consent Judgment (Ex. 1-3) in the former litigation.

7. The Butterfield Lens Has Widespread Trade Adoption And Usage

In any event, the evidence in this case, comprising testimony of various trade witnesses (App. 71-79), and trade literature (App. 81-84), adequately shows that the corneal lens being most predominantly advertised and sold today is the Butterfield bi-curved conforming type in which the primary curve conforms to the optical zone of the cornea, and the secondary or marginal curve is so corresponded or related to the marginal portion of the cornea as not to interrupt tear flow. While it is true that in most cases that is also a "conforming" relationship, sometimes it might be a slight diverging or converging relationship. As Dr. Conlogue testified (Tr. 314), the secondary curve is the "fitting curve" used by fitters to adjust the wearing comfort of the lens. In any event, the claims of the Butterfield patent do not require that the secondary curve correspond to the cornea in any precise manner other than that it be of a radius different from that of the primary curve and that it not interrupt tear flow.

One of Plastic's arguments is that the testimony of its witness, Dr. McLean (Tr. 617-628), supports its theory. That witness, although he is undoubtedly a qualified physician, did not testify that he had ever fitted a corneal contact lens. Stripped of technical language, his testimony was to the effect that the cornea is full of microscopic irregularities [which the Butterfield patent specification states, and which the trial court found to be the case (F. 7(a); App. 4)] and that he had discovered that fitters sometimes commit error

in reading their cornea measuring instruments, and that some of them even find that the true apex or high point of the cornea is not precisely at its geometric center. Then, on that basis, Plastic concludes and speciously argues that even a bi-curved conforming Butterfield lens might sometimes be flatter than some localized microscopic spot on the corneal surface and that, therefore, such a lens would be the "flatter lens" of the Tuohy patent.

Plastic's witness, Dr. West (Tr. 636-668), a college professor, whose practice as a corneal lens fitting optometrist was for a period of about a year in the 1950's, was not very definite about anything, except that it was his information that fitters had different opinions as to how large or how small a lens should be, and that the characteristics of the correspondence of the secondary curve of the lens to the margin of the cornea would vary with the width of the lens. Moreover, even Dr. West conceded that there is a difference of opinion in fitting techniques in the periphery (App. 77-79).

We need not speculate as to whether Dr. McLean has discovered some phenomena which nobody else has discovered, or whether Dr. West's information as to the differences of opinion is correct, because neither has refuted any of plaintiff's evidence.

Findings 8, 43, 44 (App. 7, 33-34, 34-35) all of which set forth that the Butterfield lens, subsequent to April, 1962, had widespread adoption in the trade, including large numbers of Plastic licensees, are amply supported in the record as shown by the references appearing in the Appendix and as shown by the portions of the Appendix setting forth the testimony of certain witnesses (App. 71-79) and various items of trade literature (App. 81-84).

The Court in Finding 44 (App. 34-35), after refer-

ring to the fact that several manufacturers were called by Butterfield who testified to the substantial use of Butterfield lenses and described the type of lenses which the trade was making, commented that no contrary witnesses or evidence were offered by Plastic. Since this is a trade controversy, where the adoption and use of Butterfield lenses among prospective licensees was a vital issue, it is quite obvious that Plastic, by its failure to produce a single witness in this area having any trade background, even including anyone from its own organization, has admitted that contrary evidence does not exist either among its own licensees or elsewhere. The witnesses called by Butterfield, including Butterfield himself, were all interrogated fully as to the characteristics of the lenses being made and several witnesses testified that their testimony as to trade usage was based not only upon trade contacts but upon actual manufacture, fitting and examination of lenses. Since these witnesses fall in the category of experts having intimate knowledge of trade practice, the Findings of the Court in this area are beyond successful attack on this appeal.

It should also be noted that Finding 63 (App. 60) stating that the Butterfield Patent has been infringed by many of Plastic's licensees is well supported by these same portions of the record. That is merely another way applied by the court of saying that many of Plastic's licensees are making the Butterfield lens, there being no issue of patent infringement in this case.

- D. Plastic's Accused Conduct Has The Effect Of Discouraging And Rendering It Impossible For Butterfield To Compete Or Obtain A Fair Return For The Trade's Use Of His Patented Invention
 - Plastic's Unlawfully Enforced Royalty Base Effectively Suppresses Competition By Making It Economically Impossible To Pay A Double Royalty And Either Singly Or In Combination With Other Acts, Is Unfair Competition And A Violation Of The Antitrust Laws

Plastic improperly infers that its accused royalty base is the only phase of the case involving antitrust implications. This is not so, for the trial court, while finding that this particular activity was in contravention of the antitrust laws (F. 57; App. 54-57), also found that all acts of Plastic, the royalty base, trade misrepresentation, coercive litigation and offers of indemnity, taken singly or in combination, constituted illegal trade restraints and violations of the antitrust laws. On this appeal, therefore, consideration must be given, in determining antitrust violation, to the entire course of Plastic conduct, rather than to each particular phase, without regard to the others (F. 59; App. 58).

Plastic's only offered excuse for its admitted practice of exacting unitary royalties on all lenses, whether unfinished, ordinary articles of commerce, or Tuohy lenses, or Butterfield lenses, or other types of finished lenses, is convenience of accounting for which, in turn, its sole reliance is placed upon Automatic Radio Mfg. Co. v. Hazeltine Research, 339 U.S. 827 (1949) (hereinafter cited as "Automatic"). The trial court found that the evidence did not sustain Plastic's position (F. 57 (a); App. 55).

In the manufacture of corneal contact lenses, first a block of plastic is preliminarily formed into the general shape of a lens. In that stage, it has not had its edge portion cut to provide any particular diameter in relation to the limbus of the eye, nor has it been ground to have any particular fitting relationship to the cornea. In that state, it is known to the trade as an unfinished or uncut lens, and it is simply an unpatented piece of lens material which, by further fabrication, can be made into any type of complete and finished corneal lens (F. 28; App. 27-28).

No suggestion appears in the record why it was not feasible for Plastic to exclude from its license base and reporting forms these quantities of unfinished and uncut lenses which are ordinary articles of commerce and which could not fall under the teachings of any patent, for which no prescription interpretation would be required to differentiate between finished and unfinished lenses. Plastic's report forms, Ex. 101c, d, and e, obviously make no attempt at such a distinction but simply require a report from the licensee on the total number of lens devices sold irrespective of type or finished state.

Nor is there any evidentiary showing that any of those unpatented and unfinished pieces of lens material were required to be sold by the licensees with the condition that they could only be made into lenses covered by the Tuohy Patent. Therefore, Plastic cannot claim that it is entitled to collect royalty for those unpatented materials under the provisions of the patent statute relating to contributory infringement [35 U.S.C. § 271(c)].

Before Plastic acquired the Tuohy Patent and the Solex Tuohy Patent licensing program, Solex was employing the license form shown by Form 2, Ex. 46, which made it clear that the only royalty to be paid by the licensee was upon corneal contact lenses covered by the Tuohy Patent, as appears from the following language:

"On or before the 20th day of each calendar month, CENTRAL agrees to supply to SOLEX a true written statement setting forth the total number of lenses embodying the invention of said Letters Patent that have been manufactured and sold, or caused to be manufactured and sold by CENTRAL during the preceding calendar month and shall pay to SOLEX the royalty or royalties set forth in Paragraph 2 hereof upon which payment has been made to CENTRAL." (F. 17; App. 12).

There is no evidentiary showing whatsoever that Solex experienced any difficulty with royalty accountings under that form of contract, although it had used that form from the beginning in August, 1958, until Plastic made said acquisition in November, 1960. Neither is there any evidentiary showing whatsoever that Plastic experienced any royalty accounting difficulties in administering the Solex form of agreement prior to the change.

Nevertheless, after the acquisition, Plastic substituted for the Solex form of license agreement the form exemplified by Form 8, Ex. 46. While this form is obviously couched in rather ambiguous language, as observed by the trial court, and very likely was purposely so made, the District Court has generously held that, if properly construed, that agreement only calls for royalties on lenses or devices covered by the Tuohy Patent (F. 27(f); App. 23). The pertinent royalty clauses of the changed contract (Ex. 46, Form 8) read as follows:

"LICENSOR hereby grants to LICENSEE a non - exclusive license to manufacture devices (namely pieces of material in which at least one lens surface is applied thereto and which is adapted to be made into a finished corneal contract lens,) and to use and sell such devices manufactured only in the United States, its territories or possessions, which license is under said United States Letters Patent No. 2,510,438, * * *

"LICENSEE, solely for the purpose of accounting hereunder, agrees to pay LICENSOR royalties upon all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens calculated in accordance with the following schedule on all such devices sold by LICENSEE:"

Plastic failed to sustain its burden of proof in excusing its accused royalty base as there is no evidentiary showing which necessitated a drastic "simplification" which required or would be enforced to require the licensee to pay royalties on unpatented lens materials. See Switzer Bros., Inc. v. Locklin, 297 F.2d 39, 46 (7th Cir. 1961). It is submitted, therefore, that Plastic's real purpose was to continue its royalty volume by exacting payment of royalties on the unpatented fabricating materials, which would have the same effect as if the Tuohy patent covered all corneal lenses-and not because of any real need to simplify royalty accountings as it claims. If the competitive safeguards provided by the antitrust laws could be avoided by any such subterfuge, our antitrust laws would become meaningless. Plastic makes no claim that the Tuohy Patent or any other patent covers only partially fabricated lens materials.

Plastic argues (Plastic's Br. 70) that its license contract form specifically requires payment of royalties on unpatented lens material instead of finished lenses made in accordance with the Tuohy Patent, and that thus the trial court should have so found instead of liberally construing the ambiguous terms of the contract

to declare it valid. However, whether the contract is itself in violation of the antitrust laws or whether Plastic has merely enforced it in violation of the antitrust laws, would appear to be immaterial because, either way, those laws would be violated.

Plastic's brief (p. 24) also mentions that, at the time it adopted or commenced enforcing its accused royalty base, it reduced the royalty rate. However, it is contrary to the antitrust laws for it to require payment of any royalty, no matter how small, on unpatented materials.

In its brief (p. 32), Plastic also boasts that it obtained a legal opinion relating to its accused royalty base. The mere fact that it sought an opinion, however, shows that Plastic was not sure of its position and realized that, even on the advice of counsel, it would have to take its chances that the royalty base might not be upheld by the courts. Our antitrust laws primarily concern the public interest, and the decisions in point reject a royalty base such as Plastic's.

Plastic relies on Automatic Radio Mtg. Co. v. Hazeltine Research, 339 U.S. 827 (1949), as sanctioning its accused enforced royalty base. However, Automatic, supra, for the reasons set forth below, bears no real resemblance either in legal principles or facts to the case at bar.

First, that case involved a license agreement covering 770 (not just one as in Plastic's case) interrelated patents and applications of the licensor, all or part of which were likely to be used in the business of licensee. Obviously, it was an extreme case where difficulties of accounting were said to justify a royalty based on a percentage of licensee's sales. Even there, the license was based on a percentage of sales of fully manufactured devices rather than being directly tied to each unfinished and unpatented sales unit.

Second, there was no showing in that case that sales of the licensee included items falling under the teachings of patents held by others, competing with the licensor, as is true in the case at bar, where many Plastic licensees were making and selling Butterfield-type lenses and declining to deal with Butterfield because of their unwillingness or inability to pay a double royalty.

Third, there was no showing, as there is here, that the licensor was guilty of other acts, in combination with the challenged royalty base, such as trade misrepresentation, coercive litigation, and the use of indemnity agreements, all directed against a competitor, with both the intent and effect of discouraging and preventing the licensee from doing business with the competitor, even though such licensee infringed the competitor's patent.

Fourth, the attack in Automatic, supra, was by a licensee, under the challenged royalty agreement, in an action by the licensor to collect royalties. The case did not, as does the case at bar, involve an attack by a competitor of the licensor asserting that the royalty base under all the facts illegally restrained trade, to the detriment of the competitor. The court, therefore, was not faced with any real challenge that the royalty provision restrained trade illegally as against a competitor, or even, that it tended to create a monopoly to the detriment of a competitor.

In Automatic, supra, at pp. 832-833, the court stated that an extenuating circumstance was that the license did not place any restraint upon competition. Here, while the Plastic contract does not expressly place any restraint upon competition, Plastic uses it to exact from its licensees a royalty on all lenses, even if made under the Butterfield Patent, and even on unpatented materials nec-

essarily used in the manufacture of competing lenses. That, therefore, has the direct effect of placing a restraint upon competition because, as the evidence shows, the market conditions are such that a manufacturer cannot pay one royalty on the unpatented materials and another royalty on the finished lenses, or double royalty.

While the case now before the Court is not, technically a "tie-in" case, such as Mercoid Corp. v. Mid-Continent Invest. Co., 320 U.S. 661 (1943), and related types of cases, such as Carbice Corp. v. American Patents Develop. Corp., 283 U.S. 27 (1930) and Leitch Mtg. Co. v. Barber Co., 302 U.S. 458 (1938), it does represent the same philosophy, that no matter how convenient or desirable it might be to do so, in the licensing of a patent, the patent owner must not extend or overstep the lawful bounds of his patent monopoly by tying his royalty base to the payment of royalties on unpatented, staple articles of commerce. In Mercoid Corp. v. Mid-Continent Invest. Co., supra, at 665-666, involving a royalty based on an unpatented switch device, the court in holding patent misuse, stated:

"The grant of a patent is the grant of a special privilege 'to promote the Progress of Science and useful Arts.' Const. Art. I, Sec. 8. It carries, of course, a right to be free from competition in the practice of the invention. But the limits of the patent are narrowly and strictly confined to the precise terms of the grant . . . It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid . . . and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant. The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the pat-

entee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use . . . The method by which the monopoly is sought to be extended is immaterial . . . The patent is a privilege. But it is a privilege which is conditioned by the public purpose." (Emphasis supplied)

Mercoid v. Mid-Continent, supra, and similar cases were distinguished in Automatic, supra, at 834, but not overruled.

In B. B. Chemical Co. v. Ellis, 314 U.S. 495, 498 (1942) the court said:

"The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant."

Plastic's royalty base involves an improper expansion of its legitimate monopoly in that it exacts royalties on Butterfield-type lenses which its licensees may make, when they cannot or will not pay double royalties by paying an additional royalty to Butterfield, and it exacts royalties on staple articles of commerce (unfinished lenses) not covered by its patent.

The evidence shows that the price range existing in the contact corneal lens manufacturing business is such that a manufacturer simply cannot afford to pay a royalty on the finished lens as well as another royalty on the material used in its fabrication—that is, a double royalty. And of the 300 corneal manufacturers in the United States, over half of them are licensed by Plastic, so that it is apparent that Plastic's royalty base is not only a serious hindrance to competition in interstate commerce, but it also makes it practically impossible for manufacturers who are making the Butterfield lens to take licenses from Butterfield (See F. 37, 38, 39, 41; App. 31-33).

Several cases support the proposition that the granted patent monopoly may not be extended so as to suppress competition or acquire monopoly outside the area of the patent itself. They also stand for the rule that the particular form or method by which the monopoly is sought to be improperly extended is immaterial. Inherent in all of them is the underlying circumstance that one of the litigants claiming patent misuse or trade restraint is an outsider, such as Butterfield, who has been wrongfully excluded or restrained in market competition by licensing practices of a competitor.

National Lockwasher Co. v. Garrett Co., 137 F.2d 255, 256 (3rd Cir. 1943) was a suit for infringement defended on the ground of patent misuse as plaintiff issued licenses to manufacturers of metal washers with a provision in which the licensee agreed not to manufacture any other form of non-tangling spring washers except those covered by the plaintiff's patent. On appeal, the Circuit Court reversed the lower court and held for the defendant, sustaining its defense and stating:

"The Supreme Court has made it abundantly clear in the series of decisions above cited that the patentee cannot use his patent monopoly to force upon customers his brand of a non-patented article to be used by the customer in connection with the patented article sold or leased. * * *

"These cases are different on the facts than the one here involved. The patentee in this case is not selling any unpatented goods under a tying-in clause to the licensee. But it is, as the facts are alleged by the Defendant, using its patent monopoly to suppress the manufacture of possible competing goods not covered by its patent. Prior to the cases above cited the Supreme Court had held that a trade agreement involving price fixing and the suppression of a certain type of merchandise transcend-

ed what was necessary to protect the use of the patent or the monopoly which the law conferred upon it. . . . We think the instant case, on the facts as the Defendant represents them, falls within the principle of the cases cited to the extent that the patentee is using the lawful monopoly granted by the patent as a means of suppressing the manufacture and sale of competing unpatented articles. It is not creating for itself a monopoly for unpatented goods, as in some of the cases cited. But it is attempting by means other than that of free competition to extend the bounds of its lawful monopoly to make, use and vend the patented device to the extent where such device would be the only one available to a user of such an article. This monopoly is obviously not covered by the patent. A patentee's right does not extend to the use of the patent to purge the market of competing non-patented goods except, of course, through the process of fair competition."

The reasoning of this case was approved in this Court in *McCullough* v. *Kammerer Corporation*, 166 F.2d 759, 762 (9th Cir. 1948). There Kammerer issued a license agreement which the court held to be against public policy because it "stifled new competitive inventions and suppressed competitive forces which stimulate newer and better products." As a part of the license agreement, the licensee there covenanted, during the term of the license, "not to manufacture or use or rent any device which will be in competition with the device or devices covered by this license agreement." In condemning this type of agreement and its intended result, the court gave complete support to *National Lockwasher Co.* v. *Garrett Co.*, supra, and other cases condemning the extension of the patent monopoly:

"The public, in a system of free competition, is

entitled to have the competition of other devices with a patented device and here it is against that public's interest to use the patent to suppress such competition. As stated by the Supreme Court in the recent case of Transparent-Wrap. M. Corporation v. Stokes & Smith, 329 U.S. 637, 644, 67 S. Ct. 610, 614: 'Protection from competition in the sale of unpatented materials is not granted by either the patent law or the general law. He who uses his patent to obtain protection from competition in the sale of unpatented materials extends by contract his patent monopoly to articles as respects which the law sanctions neither monopolies nor restraints of trade.'"

Plastic's exaction of a royalty on unfinished lenses capable of being made into Butterfield lenses and on Butterfield lenses has the same practical effect as a covenant by the licensee not to handle any competing type of device. See also: Pyrene Mtg. Co. v. Urquhart, 69 F. Supp. 555, 560-561 (E.D. Pa. 1946) atf'd 175 F.2d 408 (3rd Cir. 1949); cert. denied 338 U. S. 826 (1949); Cutter Lab. v. Lyophile Crycochem Corp., 179 F.2d 80, 91-94 (9th Cir. 1949); United States v. Univis Lens Co., 316 U.S. 241, 248-254 (1941), and Transparent-Wrap M. Corp. v. Stokes & Smith Co., 329 U.S. 637, 640-644 (1946).

In Zajicek v. Koolvent Metal Awning Corp. of America, 283 F.2d 127, 131-132 (9th Cir. 1960), this Court, in considering a license agreement sustained the trial court in its determination that certain provisions of a patent license agreement involving grant-back obligations were not illegal or unenforceable. The weight to be accorded the findings of the trial judge in this area is exemplified in the following language:

"Clause 10(c) provides for the grant-back of any related patents developed by the licensee. Appellants assert that this clause is illegal under United States v. Aluminum Company of America, D.C. S.D. N.Y. 1960, 91 F. Supp. 333.

"Appellee points out that in the Aluminum Company case the grant-back provisions were held illegal only 'in the peculiar context of the industry,' and that there 'these particular grant-back provisions constituted a potential restraint.' Appellee further cites Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 1947, 329 U.S. 637, 67 S. Ct. 610, 91 L. Ed. 563, which held that the inclusion in a license of the condition requiring the licensee to assign improvement patents is not per se illegal and unenforceable. We agree. This is a matter for determination by the trial court, and we cannot rule his interpretation was clearly erroneous."

The substantial extent to which Plastic's accused royalty base has affected commerce is also shown by the evidence. The President of Plastic testified that it controlled approximately 22% of the corneal contact lens market (Ex. 12, p. 106). There are over 300 corneal lens manufacturers in the United States, and over 50% of them hold Plastic licenses. To make matters worse, Plastic is itself competing with its licensees throughout the country, through its 24 branch offices.

Plastic's argument that Butterfield, in his licensing, is guilty of the same type of royalty measurement has been fully disposed of (see Br. 21-22, 77-79).

The only way in which Automatic, supra, can be reconciled with the basic rule of law, is that, under the particular and extraordinary facts there concerned, involving a tremendous number of patents and particularly since the situation involved no restraint of competition, the court felt justified in sanctioning that particular royalty base because in so doing it would not be letting down the protective bars provided by the antitrust laws

for safeguarding free and unrestrained competition.

When Plastic's illegally enforced royalty base is considered with its series of other associated conduct, the dissent of Justices Douglas and Black in *Automatic*, supra, at 838 is strongly remindful of this case. There those Justices said:

"The patent owner has used the patents to bludgeon his way into a partnership with those licensees, collecting Royalties on unpatented as well as patented articles."

2. Plastic's Use Of Circulars, Letters, And Its Other Acts In The Dissemination Of False Or Misleading Representations As To The Operative Nature Of The Butterfield Patent And The Scope And Effect Of The Consent Judgment And Settlement Agreement In The Prior Action Between The Parties, In An Effort To Induce Others Not To Deal With Butterfield, Is Actionable Conduct

The nature of the false and misleading representations by Plastic, occurring after the settlement, is set forth in the Supplemental Statement of Facts at page 14 et seq., together with references to the findings by the trial court, all fully supported by the quoted record references. The misrepresentations and concealment concerned the terms of the settlement of the parties occurring in April, 1962, improper assertions that the Butterfield Patent lacked utility and was inoperative, and that the Tuohy Patent was pioneer in nature and substantially covered the field. That such misrepresentations are actionable is well established.

In Solex Laboratories, Inc. v. Plastic Contact Lens Co., 268 F.2d 637, 641 (7th Cir. 1959), in which misrepresentations of the type here involved by Solex were

considered, the Court, in issuing an injunction, stated:

"Apart from such general considerations we believe that the facts and circumstances of the instant case are such that it can not be said that the District Court abused its discretion in granting relief. The rule relied upon by Solex is founded upon the good faith of the patent owner warning of infringement. We believe that the conduct of Solex established a lack of good faith. The use Solex made of the California trial judge's 'Statistical Facts and Summary' as well as his memorandum opinion, in

context with materials and statements which would lead the reader to believe that there had been a final adjudication to the effect that the Tuohy patent covered all types of corneal type lenses, including those supplied by Plastic, constituted a misrepresentation. It was not an attempt by a patent owner to fairly state its rights. It could have been conceived only to mislead the trade, including Plas-

tic's customers."

The acts enjoined included:

"circularizing, writing, advertising, or in any manner threatening or harassing such customers or suppliers of Plastic with charges of infringement, or attempting to force or induce them into taking a license from Solex, utilizing, advertising, publicizing, disseminating, stating or implying to the trade or public that all contact lenses of the corneal variety are an infringement of the Tuohy Patent."

Price-Hollister Co. v. Warford Corporation, 18 F.2d 129, 131 (S.D. N.Y. 1926), involved false statements to the trade by a patentee as to the nature of a default judgment. The misrepresentations consisted of strong inferences and statements concerning infringement of patentee's device. In directing an injunction the Court stated:

"If the letters and circulars of the defendant are issued and distributed, not merely in good faith, to warn against infringement, but rather for the purpose of destroying the business of plaintiff in advance of adjudication, his property rights are wrongfully assailed, and a court of equity should not be slow to afford relief."

Additional supporting authorities are Shell Oil Co. v. State Tire & Oil Co., 126 F.2d 971, 974-975 (6th Cir. 1942), Maytag Co. v. Meadows Mig. Co., 35 F.2d 403, 407-409 (7th Cir. 1929), United Kingdom Optical Co. v. American Optical Co., 68 F.2d 637, 639 (1st Cir. 1934).

 The Institution Or Threat Of Institution By Plastic Of Groundless And Vexatious Civil Suits For Conspiracy Damages Against Plastic Licensees And Others Dealing With Butterfield, Charging Conspiracy With Butterfield And His Attorneys Is Actionable Conduct

To avoid repetition, we refer to our Supplemental Statement of Facts (Br. 16-18) and to Findings 50, 51 and 52 (App. 39-49), in which the Court determined upon a more than adequate record that all of this litigation was brought in bad faith and for the wrongful purpose of preventing Plastic licensees, making Butterfield lenses, from dealing with Butterfield.

Dairy Foods Incorporated v. Dairy Maid Products Coop., 297 F.2d 805, 808-809 (7th Cir. 1961), was a suit for patent infringement in which the answer consisted of alleged misuse of a patent in violation of the antitrust laws and asserted a counterclaim, accordingly. The basis of the conspiracy charged was that the threat of litigation was illegal and that defendants were faced with choosing between the alternatives of ceasing the production of instant milk, defending expensive patent litiga-

tion if they refused to accept the license, or accepting a discriminatory and restrictive license under patents controlled by the plaintiff. In sustaining the charges of the counterclaim, the Court stated:

"In our opinion these allegations adequately set forth an injury to defendant in its business or property. The injury is the necessity that defendant make a choice among alternatives each of which has an adverse economic or financial impact on its instant milk business. * * *

"The counterclaim must be considered as a whole. The allegations of paragraph 35 are to be evaluated in the context of those which set forth the antitrust law violations. And they are to be considered in combination with the allegations that one of the elements of the conspiracy was an agreement that patent infringement suits would be threatened and filed to coerce the acceptance of licenses which would effectuate the conspiracy and that plaintiff by threats of an infringement suit attempted to coerce defendant to accept a discriminatory and restrictive license under the patent pool." (Emphasis supplied.)

Litigation and the threat of litigation are powerful weapons. When improperly instituted, litigation entails harmful consequences to the public interest in judicial administration as well as to the actor's adversaries. That groundless litigation brought in bad faith and for coercive trade purposes is actionable is also supported in *International Indust. Develop.* v. *Farbach Chem. Co.*, 145 F. Supp. 34, 37 (S.D. Oh. 1956), and *Munson Lines* v. *Green*, 7 F.R.D. 14, 16-17 (S.D. N.Y. 1946).

Apparently, Plastic's sole defense concerning the groundless litigation is the assertion that Plastic acted in good faith or had probable cause for such actions (Plastic's Br. 37-38). In Findings 50-51 (App. 39-47) the trial court determined that Plastic brought these actions in bad faith and for the wrongful purpose of inducing persons not to deal with Butterfield.

Even if probable cause existed, despite the findings of the trial court, this groundless litigation, when considered with other illegal trade restraints such as indemnity agreements, trade misrepresentation and illegal royalty practices, is still a proper subject for recovery and injunctive relief because it is part of an over-all scheme to illegally damage Butterfield. Kobe, Inc. v. Dempsey, Pump Co., 198 F.2d 416, 424-425 (10th Cir. 1952), was another instance in which a defendant sued for patent infringement charged patent misuse by a violation of the Sherman Act. Among the practices challenged in the trial court was the institution of an infringement action or actions. The following is quoted from the opinion:

"* * * The trial court found that Kobe did not institute the infringement action in bad faith but believed that some of its patents were infringed, and that Kobe intended to secure a judgment which would eliminate defendants as competitors and to remain in exclusive possession of the whole of the interstate markets for deep well hydraulic pumps for oil wells. The trial court also found that the infringement action and incidental activities by Kobe were intended and designed to further the existing monopolistic purposes.

"We have no doubt that if there was nothing more than the bringing of the infringement action, resulting damages could not be recovered, but that is not the case. The facts as hereinbefore detailed are sufficient to support a finding that although Kobe believed some of its patents were infringed, the real purpose of the infringement action and the incidental activities of Kobe's representatives was to further the existing monopoly and to eliminate Dempsey as a competitor. The infringement action and the related activities, of course, in themselves were not unlawful, and standing alone would not be sufficient to sustain a claim for damages which they may have caused, but when considered with the entire monopolistic scheme which preceded them we think, as the trial court did, that they may be considered as having been done to give effect to the unlawful scheme."

4. Plastic's Wrongful Conduct Breached The Implied Covenant Of Good Faith In The Settlement Agreement

The trial court recognized (F. 59, C. 8; App. 58, 64) that Plastic, by its various wrongful acts, had violated an implied covenant of the settlement agreement of April, 1962, that each party would exercise good faith in attempting to carry it out. The law establishes that parties to contracts, including settlement agreements, are subject to an implied obligation to attempt to carry out the agreement in good faith. See Henry G. Meigs, Inc. v. Empire Petroleum Company, 273 F.2d 424, 429 (7th Cir. 1960), Marrinan Medical Supply v. Ft. Dodge Serum Co., 47 F.2d 458, 462 (8th Cir. 1931), and Perkins v. Standard Oil Co., 235 Or. 7, 16, 383 P.2d 107 (1963).

Because of the settlement agreement of April, 1962, Plastic had assumed a clear contractual burden to act in good faith, in doing nothing which would destroy or injure Butterfield's right to the fruits of such contract, and this it failed to do.

5. Plastic's Offer Of Indemnity Was Wrongful As It Was Made For The Purpose, And Had The Effect, Of Excluding Butterfield From The License Market

The trial court found that Plastic's offer of indemnity by its circular letter of December 10, 1962, with the accompanying indemnity agreement, was wrongful, done with intent to improperly injure Butterfield and his licensing program and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees (F. 56; App. 51-54).

In the interests of brevity we refer the Court to Findings 48, 49, 55, 56, 59 and 65; App. 39, 50, 51-54, 58 and 60, respectively, and Conclusion of Law VII, App. 63-64, and the citations to the record therein, in support of Butterfield's position that the complained of offer of indemnity was offered in bad faith and for the purpose of inviting the commission of a tort or series of torts in the form of infringement of the Butterfield Patent.

Plastic's indemnity agreement is entirely different from the standard indemnity form customarily used in patent licenses. Plastic's indemnity agreement is invalid as it is not limited to devices manufactured under the teachings of the Tuohy Patent but specifically states: "* * * Licensor shall indemnify Licensee, * * * against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246 with respect to devices sold by Licensee * * *." Such "devices," as Plastic construes its agreement, need not be Tuohy type "devices" (F. 56 (c); App. 53-54). Standard form indemnity agreements used in patent licenses offer indemnity against the Licensee's manufacture of devices made under the teachings of the patent owned by the Licensor rather than indemnity from infringement of a named

competitor's patented device as Plastic has done in the instant case.

The indemnity agreement (Ex. 75), in paragraph 1, expressly reaffirms the duty of the licensee "faithfully to report and pay royalties to licensor in accordance with the provisions of paragraph 2, 3 and 4 of said patent license * * * upon all devices as defined in said patent license, that are sold by licensee during said term." The agreement, moreover, in addition (a), Paragraph 2, in measuring the amount of the indemnity, refers to an award of damages to be finally adjudged against the licensee, and provides that Plastic will pay 85 per cent of such an award "on devices sold by licensee during the term hereof and on which licensee shall have paid royalties to licensor as provided in paragraph 1 hereof."

The quoted material from the indemnity agreement removes all doubt that it was Plastic's intent not only to indemnify against only claims arising under the Butterfield Patent but to enforce a broad royalty base on unpatented items. There is no limitation whatsoever in the indemnity agreement that the protection it affords is limited to devices made under the teachings of the Tuohy Patent. Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on Butterfield's rights under his Patent and look solely to Plastic for indemnity (F. 56 (c); App. 53-54).

The only excuses suggested for the offer of indemnity are alleged misrepresentations by Butterfield of the scope of his patent and Plastic's asserted good faith belief that its licensees were not selling lenses covered by the Butterfield Patent. This position is again bottomed entirely on the erroneous conclusion that substantially all lenses are Tuohy lenses and that substantially none

are Butterfield lenses. It therefore appears that, if Plastic's argument on scope fails, the attempted justification for the offer of indemnity likewise fails. Since we have already adequately discussed our contentions that Plastic's assertions as to scope are wholly unfounded (Br. 30-50), this alone should serve as an effective answer to its position concerning its offer of indemnity.

Significantly, Plastic does not attempt to answer the argument made by Butterfield at the trial that the indemnity agreement is, on its face, invalid because it does not offer indemnity on the condition that the challenged devices handled by its licensees be made under the teachings of the Tuohy Patent. Even if the indemnity agreement were not invalid per se it would be invalid when used, as it was here, as a part of Plastic's concerted effort to wreck Butterfield's licensing program.

It is gross bad faith, damaging both the competitor and the public, for a merchant to use indemnity agreements as a tool of suppressing competition, and as an aid to the maintenance of an illegal royalty practice.

Plastic admits that if its offer of indemnity was made in bad faith it was wrongful (Plastic's Br. 76). The issue of whether the indemnity offer was made in good or bad faith is a pure question of fact which the trial court decided adversely to Plastic (F. 56; App. 51-54).

At page 75 of its brief Plastic makes the following false statement:

"Notably, neither before nor after Plastic's indemnity offer did Butterfield bring an action for infringement against any Plastic licensee, despite his having made infringement charges wholesale. The last thing Butterfield wanted was to have a court define the scope of his patent."

Such a false statement characterizes Plastic's disre-

gard for the truth both in its licensing program and in litigation.

The effectiveness of Plastic's wrongful offers of indemnity is clearly demonstrated by the two infringement suits actually filed by Butterfield against Northwest-Northern and Paramount and Rich-Tint and Butterfield's threat of suit against Columbian Bifocal, all Plastic licensees, wherein such firms complained bitterly to Plastic (see typical correspondence, App. 86-90) for Plastic's failure to provide indemnity. All such actions were settled favorably to Butterfield with the infringer in each case taking a Butterfield license. If the indemnity agreement had been in force it is an inescapable conclusion that Butterfield would have been denied a favorable settlement and forced to the expense and delay of prolonged litigation despite the fact the infringers were making the Butterfield lenses (F. 55; App. 50).

Plastic's offer of indemnity was a last gasp effort to prevent complete revolt by its licensees. Prior to the actual offer of indemnity to its licensees, Plastic had been approached repeatedly by various of its licensees pointing out variously that they had been solicited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses (see typical correspondence at App. 85) or expressing concern on the part of several as to whether they were justified in continuing to deal with Plastic and pay double royalties (F. 56 (a); App. 51-52).

In its letter of December 10, 1962 (Ex. 54), Plastic, after stating that it had advised its licensees in its letter of October 25, 1962, concerning the circumstances of the settlement, stated that "concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Pat-

ent." Obviously, Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves against infringement liability by taking a Butterfield license. The inference is clear that, in order to head off this revolt and continue to exact royalty and toll on Butterfield-type lenses, Plastic then made its offer of indemnity. The offer could have been made only for the purpose of inviting its licensees to continue to make Butterfield lenses without the payment of royalties to Butterfield and to look to Plastic for indemnity (F. 56(b); App. 51-52).

As a licensee of Butterfield under the Butterfield Patent and because of the consent judgment and settlement in which it again recognized the validity of the Butterfield Patent and agreed that Butterfield might solicit Plastic licensees, Plastic is estopped and precluded from carrying out such indemnity agreements. This estoppel is an estoppel to challenge that the Butterfield Patent has utility and a useful scope as well as an estoppel to aid and assist its licensees in infringing the Butterfield Patent, because of its duty in good faith to carry out the terms of the settlement agreement.

Plastic's offer of indemnity was an improper effort to do indirectly what it could not do directly as it served as an invitation and encouragement to others to contest the validity of the Butterfield Patent.

The following excerpts from case and text authorities make the wrongful nature of Plastic's offer of indemnity, under the facts of this case, abundantly clear:

Metallizing Engineering Co. v. Metallizing Co., 62 F. Supp. 275, 277 (S.D. N.Y. 1945), involved an application for injunction pendente lite restraining defendants from infringing the plaintiff's patent directly or indirectly and from contributorily infringing a reissued

patent. Plaintiff contended that the defendants, as a part of contributory infringement activities, incited others to infringe by instructing them how to do it, by various other methods, and by advising and agreeing with purchasers of defendants' transformers that defendants would safeguard and indemnify their purchasers against the consequences of such infringement. Holding for the plaintiff the court decided:

"to enjoin a bare-faced infringement and the inciting of others to pull defendants' chestnuts out of the fire such as is here revealed by practically undisputed evidence. In fact, it almost seems to me that to call some of the acts of the defendants contributory infringement is a misnomer; they are causing and encouraging others to infringe which might well make them direct rather than contributory infringers."

Also see Westinghouse Electric & Mfg. Co. v. Diamond S. F. Co., 268 F. 121, 128-129 (D. Del. 1920), where defendants' promise of indemnity was in the following form:

"* * * under the basis that, should the Westinghouse Company interfere legally with you relative to the infringement on their royalty patent which they have on this material, we will protect you in the matter of suit, and accept entire jurisdiction and settlement of such suit by our legal department in financial status in the matter of any suit that the Westinghouse Company might bring against you specifically relative to royalty." (at p. 128).

In holding for the plaintiff and in dealing specifically with the matter of indemnity, the court at page 129 said:

"If the gears made by the Eisemann Company

from the material supplied by the defendant are covered by the Conrad patents, is the defendant entitled to exoneration, if it in good faith believed that such gears were not covered by those patents? As this would not be a valid defense in an infringement suit, it is difficult to see upon what principle such belief would be a sufficient justification for interference with the contractual relations of the plaintiff."

Restatement, Contracts, § 572 states:

"A bargain to indemnify another against the consequences of committing a tortious act is illegal unless the performance of the tortious act is only an undesired possibility in the performance of the bargain, and the bargain does not tend to induce the act." (Also see "Comment a").

6 Williston, Contracts 4956 (Rev. ed.) § 1750, says in part:

"Even though a bargain does not directly require any unlawful or improper act for its performance, if its tendency is to encourage or hold out a reward for a result that can be brought about only by an unlawful act, the bargain is opposed to public policy * * *."

Also see 6 Williston, Contracts 4960 (Rev. ed.) § 1751.

The substantial damage to Butterfield directly resulting from Plastic's wrongful offer of indemnity and its other complained of activities will be discussed separately in the following section of this brief.

Butterfield Was Substantially Damaged By Plastic's Wrongful Conduct Which Effectively Blocked Butterfield's Efforts To Sign Up New Licensees

Plastic's wrongful conduct caused substantial damage to Butterfield with the trial court reserving ruling on the amount of such damage until an accounting is had (F. 60; App. 58-59).

The fact of substantial damage to Butterfield is clear from the fact that although a substantial number of Butterfield lenses were being made by the trade and Butterfield was entitled to a royalty on such devices, Plastic's complained of activities effectively blocked Butterfield's efforts to sign up new licensees and caused some of Butterfield's existing licensees to stop making royalty payments. See the Supplemental Statement of Facts (Br. 11-24) and F. 8, 32-35, 43-45, 49, 58, 62, 63; App. 7, 29-30, 33-35, 39, 57, 59, 60 respectively.

Butterfield, the manufacturers of contact lenses and the buying public have all been substantially damaged by Plastic's wrongful conduct. The following excerpts from *Switzer Brothers, Inc.* v. *Locklin,* 297 F.2d 39, 47 (7th Cir. 1961) are relevant to the discussion of damage:

"* * * Congress has determined that public injury is inherent in every monopolistic practice or restraint of trade in violation of the Sherman Act. Klor's, Inc. v. Broadway-Hale Stores, 359 U.S. 207, 211, 79 S. Ct. 705, 3 L. Ed. 2d 741. In a treble damages action under the Clayton Act the statutory criteria for recovery are satisfied when a plaintiff has alleged and proved an unlawful restraint of trade and damage to himself growing out thereof. Radiant Burners, Inc. v. Peoples Gas Co., 364 U.S. 656, 81 S. Ct. 365, 5 L. Ed. 2d 358.

"Appellants' argument that the evidence fails

to show that appellee's loss of sales which is reflected by the record resulted from appellants' unlawful conduct is rejected for two reasons. First, we will not disturb the findings made upon conflicting evidence, that appellee's sales were restricted as a result of the unlawful conduct. Secondly, we think appellant's contention rests upon a misconstruction of the law which would make injury compensable under the antitrust laws only if the unlawful conduct found to exist stood alone as the causation of the injury. A violation of the antitrust laws is answerable in treble damages for injury to another by the unlawful act even though other factors may have contributed to the injury. * * * (Citing authorities).

* * * * *

"We cannot say that the findings that appellee was damaged by appellants' unlawful conduct are clearly erroneous. * * * "

VI. PLASTIC'S ATTACK ON THE BUTTERFIELD LICENSE AGREEMENTS AND ROYALTY BASE IS WITHOUT MERIT

In an attempt to justify its royalty base which the trial court found to be illegal, Plastic attacks the different formulas found in the Butterfield license agreements which are in the record as parts of Ex. 117. The trial court found, after an examination of the evidence, that the agreements are not in accord with Plastic's contentions concerning them (F. 57(c); App. 55-57) and that they did not require payment of a unitary royalty based on all lenses handled or to be handled by the licensee.

These agreements fell into three categories, one of which consisted of four licensees of Butterfield, Titmus, Utah Optical, Mann Instrument and Southern Contact Lens, all of whom held license agreements from Butterfield prior to the settlement of the former litigation between the parties in April, 1962. These four agreements did not call for payment of a royalty based on five per cent of the gross sales of all lenses by the licensee. Instead, as appears from the Titmus agreement in Ex. 117, the five per cent of sales was limited to sales of Butterfield lenses by the following in Par. 3 (Payments): "royalty of five percent (5%) of the gross sales price of all corneal contact lenses coming within the claims of the above mentioned patent." As a part of the settlement each of these licensees obtained a free Tuohy license from Plastic and was hence in a position to manufacture either Tuohy or Butterfield lenses without payment of double royalties.

The next class is the so-called "paid-up" license form. An example is the Vision Clear agreement in Ex. 117. In such agreements the licensee pays in cash or in monthly installments a flat total aggregate sum which on the face of the license agreement bears no formula relationship to past, present or future sales of the licensee or the number of units handled by it. Butterfield testified, without contradiction (Tr. 284-6), that his practice in arriving at the amount required to be paid is to ascertain the volume of the prospective licensee in the previous year, obtain a monthly average from this and multiply this by $37\frac{1}{2}\phi$ per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent and the monthly payments or the total aggregate payment remain precisely the same whether the licensee's volume increases or decreases or completely terminates.

The third type is a unitary type which calls for payment of a royalty at the rate of fifty cents per lens on lenses made under the teachings of the Butterfield Patent. An example is the Frontier Contact Lens license in Ex. 117, which covers a royalty of "50 cents (50ϕ) for each corneal contact lens * * * embodying the invention of said letters patent." Plastic challenges the latter type because it asserts that its definition of a licensed unit is not necessarily restricted to a Butterfield lens as it narrowly and improperly construes the Butterfield Patent. For reasons appearing elsewhere in this brief, it is clear that Plastic's construction of the patent is entirely too restrictive, so that this objection in turn fails.

In any event, the record is undisputed that, as to all Butterfield licensees he has provided them with a rubber stamp to be placed on invoices accompanying sales of unfinished lenses, requiring that the lenses sold by the licensee be finished only in accord with the Butterfield Patent. Some of the Butterfield license agreements contain similar provisions. See, e.g., the above described Frontier Contact Lens form, Par. 2 E (Ex. 117).

As to the so-called "paid-up" license agreement forms of Butterfield, the record is likewise clear that Butterfield, before soliciting a manufacturer, first determined, by the purchase of sample lenses, that the manufacturer was making a Butterfield type of lens (F. 43; App. 33, 34) and that the licensee's future operations are in no manner geared to a royalty based upon his future volume (F. 57(c)(ii); App. 56).

VII. PLASTIC'S COUNTERCLAIM IS WITHOUT MERIT AND HAS BEEN VIRTUALLY ABANDONED

Plastic's counterclaim is so patently groundless that it deserves no more than summary treatment.

Such counterclaim was raised as a mere afterthought by Plastic six months after it filed its original answer in the form of a general denial. Subsequently Plastic confirmed the smokescreen nature of such counterclaim and its own reckless disregard for alleging matters in litigation which it can't prove by voluntarily abandoning all of the contentions in its counterclaim with the exception of Butterfield's alleged misrepresentations of the scope of his patent (Plastic's Proposed F. 42; R. 280).

Since all other charges are abandoned, the simple answer to Plastic's position is that there is no evidence of any misrepresentation of any kind on the part of Butterfield or for that matter any improper conduct of any nature on Butterfield's part (F. 66-72; App. 60-61).

VIII. CONCLUSION

The trial court's judgment should be affirmed.

Respectfully submitted,

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CERTIFICATION

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

R. R. BULLIVANT,
One of the Attorneys
for Appellee.







FINDINGS OF FACT AND CONCLUSIONS OF LAW*

CIVIL No. 63-294

(R. pp. 104-154)

Be it remembered that the above cause came on for trial on the 22nd day of June, 1964, the plaintiff appearing through R. R. Bullivant and Douglas G. Houser, and the defendant appearing through James C. Dezendorf, Dugald S. McDougall and Irwin Panter, its attorneys. Plaintiff and defendant produced evidence on their respective hearings and at the conclusion of the trial, the Court directed each party to submit proposed findings and conclusions. After an exhaustive study and analysis of the record, including the findings and conclusions proposed by plaintiff and defendant, the Court has arrived at the conclusion that the weight of substantial evidence supports the plaintiff's contentions, both of law and of fact. In order to present a more meaningful result, findings of fact and conclusions of law are, in some instances, interwoven.

For brevity, the following definitions will apply unless the context indicates otherwise:

- (a) "Butterfield" means the Plaintiff, and "Plastic" means the Defendant.
- (b) "Solex" will refer to a former California corporation, known as Solex Laboratories, Inc.

^{*}Legend: "C" appearing at beginning of Finding or Conclusion or portion thereof denotes that Plastic assigns Finding or Conclusion as error in its brief.

- (c) "Butterfield & Son" will refer to an Oregon corporation known as George H. Butterfield & Son.
- (d) The term "Tuohy Patent" refers to United States Patent No. 2,510,438; whereas the term "Butterfield Patent" refers to United States Patent No. 2,544,246.

FINDINGS OF FACT

1. Butterfield is, and throughout the period here material has been a citizen and resident of Portland, Oregon. He is and has been licensed to practice as an optometrist in the State of Oregon since 1918 but has not done so actively for about two years. He is the majority stockholder of Butterfield & Son which is, and since December, 1948, has been, engaged in the manufacture and sale of plastic contact lenses under a royalty license from Butterfield. Butterfield is also the owner of the Butterfield Patent and has been since its issuance on March 6, 1951. The Butterfield Patent will expire under its terms in March, 1968.

Pre-Trial Order, Agreed Fact 1, R. p. 45; Butterfield Patent, Ex. 45; Butterfield, Tr. 159.

2. Plastic is, and throughout the period here material has been, an Illinois corporation, having its principal place of business in Chicago, Illinois. Plastic is licensed to do business in the State of Oregon and is subject to suit therein. At least since 1948, Plastic has been engaged in the business of manufacturing and selling plastic contact lenses.

Pre-Trial Order, Agreed Fact 2, R. p. 45.

3. The amount in controversy in this action and in the counterclaim each exceeds the sum of \$10,000.00, exclusive of interest and costs, and this Court has jurisdiction of the parties and of the subject matter of the action and of the counterclaim.

Pre-Trial Order, Agreed Fact 3, R. p. 45.

- 4. The Tuohy Patent for improvements in a corneal contact lens was issued June 6, 1950, to K. M. Tuohy and will expire under its statutory term in June, 1967. It was issued on an application filed February 28, 1948.
 - Ex. 43 (Patent); File Wrapper of Tuohy Patent Application, Ex. 113.
- 5. Solex, the original owner of the Tuohy Patent, was until May 12, 1961, a California corporation having its principal place of business in Los Angeles, California. From 1948 until May 12, 1961, Solex was engaged in the business of making and selling plastic contact lenses, and it owned the Tuohy Patent from the date of its issuance until April 12, 1961.

Pre-Trial Order, Admitted Fact 4, R. p. 46.

6. On November 4, 1960, Plastic acquired all the capital stock and control of Solex. On April 12, 1961, the Tuohy Patent was assigned by Solex to Plastic, which still owns it. On May 12, 1961, Solex was liquidated and disolved (sic), Plastic on that date having acquired its assets and assumed its liabilities, after liquidating and dissolving Solex. Plastic continued to sell to Solex's old customers.

- Pre-Trial Order, Admitted Fact 5, R. p. 46; Agreement between Plastic, as buyer, and Tuohy and Zabner, as sellers, dated November 6, 1960, for purchase of all of stock of Solex by Plastic, Ex. 136.
- 7. There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.
- (a) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavoconvex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

Wesley Deposition, Ex. 12, p. 45; McClain, Tr. 620; Butterfield, Tr. 305; Conlogue, Tr. 334-5; Satterlee, Tr. 463; Dippery, Tr. 217.

C (b) The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion con-

forms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea that it provides uninterrupted flow of tear or lachrymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the "bi-curve conforming type."

The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended, as shown by the following language of the Butterfield Patent specification:

"The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition."

The Butterfield Patent contains two claims, the broadest of which reads as follows:

"1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending, radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural

uninterrupted circulation of lacrimal fluids between said lens and the cornea."

McClain, Tr. 620; Butterfield, Tr. 289, 295, 305, 341; Conlogue, Tr. 335, 320; Satterlee, Tr. 463; Butterfield Patent, Ex. 45; Dippery, Tr. 217; Model, Ex. 122; Drawing, Ex. 151.

C (c) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius "flatter," or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the "flatter type lens."

Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens.

Claim 1 of the Tuohy Patent reads as follows:

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

Tuohy Patent, Ex. 43.

C 8. The trade in contact lenses both at the manufacturing, dispensing and fitting levels, has recognized that there are substantial differences between the two patents, and a very substantial volume of this trade is now and for some time last past, including the period since April, 1962, has consisted of the "bi-curved conforming" Butterfield-type lenses.

Butterfield, Tr. 171, 172, 181, 185, 186, 264, et seq, 351, 368, 391-2; Satterlee, Tr. 462-3; Dippery, Tr. 208; Conlogue, Tr. 315, 320; Hunt Deposition, Ex. 149, p. 32, line 21, to p. 33, line 6; Corneal contact lens trade litererature, Ex. 104 to 104y, inclusive, particularly at the pages or portions indicated in the pre-trial list covering these exhibits.

9. The Tuohy Patent was adjudged as validly covering the flatter type lens which it describes and claims in Solex v. Pacific Contact Laboratories, Inc., in the United States District Court for the Southern District of California, Central Division, on September 14, 1951.

Opinion of Judge Harrison, Ex. 128.

10. Subsequent litigation in the same Federal District Court was brought by Solex against six fitters of contact lenses for alleged infringement of the Tuohy Patent, one of such cases being known as Solex v. Graham (sic), 165 F. Supp. 428 (Aug. 1958). This litigation again adjudged the validity of the Tuohy Patent. In it Plastic, through its attorney, W. M. Van Sciver, defended three of the fitters, and Collins Mason, one of Butterfield's attorneys herein, defended two of the defendants. This activity by Mr. Mason was prior

to any time at which he had been retained by Butter-field. Appeals were prosecuted by the defendants in each of these cases but were terminated without an adjudication on the merits by the appellate court and the appeals dismissed as a part of the transaction by which Plastic acquired Solex in November, 1960.

Mason, Tr. 481-2; Agreement for purchase of Solex stock by Plastic, Ex. 136; Final judgment Solex v. Graham, November 28, 1960. Ex. 141.

11. Neither the Pacific Laboratories case nor the cases by Solex against the six fitters involved any device made under the teachings of the Butterfield Patent and Butterfield was not a party to any of that litigation.

Mason, Tr. 482.

- C 12. The material and substantial differences between the two patents are additionally shown by factors other than those previously mentioned in these respects:
- (a) The file wrapper of the Tuohy Patent, Ex. 113, discloses that patentee Tuohy surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent, and therefore Plastic is estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the patent.
- (b) As is hereafter more fully set forth, Plastic, since May, 1960, has been a licensee under the Butterfield Patent and, as such is not only estopped to challenge the validity of the Butterfield Patent but is also estopped to challenge its operative effect or utility.

(c) The prior Portland litigation between the parties which was settled and terminated in April, 1962, as will be hereafter more fully described, was the first court action in which the Butterfield Patent or lens was involved. This was a renewed recognition by Plastic, as well as the decree, that established both validity and utility of the Butterfield Patent as between the parties.

Ex. 1.

(d) Prior publication art, an article from Fortune Magazine for April, 1936, known to Plastic since the termination of the prior litigation, while not disclosing a corneal contact lens with the fitting relationships claimed by either Butterfield or Tuohy, does disclose that corneal contact lenses were known to the public many years before the application for either patent. The Court can find no justification for Plastic's position, asserted on oral argument, that the Tuohy Patent is broad in scope, but that the Butterfield Patent is narrow, and of only very limited utility or use.

Ex. 68; Wesley Deposition, Ex. 12, pages 134-5.

13. At the time of the acquisition of Solex by Plastic in November, 1960, there was pending in the United States District Court for the Northern District of Illinois, Eastern Division, an action by Solex against Plastic for alleged infringement by Plastic of the Tuohy Patent. In this action Plastic had charged in verified pleadings and sworn affidavits filed therein that Solex had practiced deceit and coercion, had misused court opinions for the purpose of coercing manufacturers of corneal contact lenses into entering into license agree-

ments with Solex under the Tuohy Patent and had misrepresented the scope of the Tuohy Patent. In that action Plastic obtained a temporary injunction against Solex prohibiting acts of the kind previously described and this injunction was affirmed on appeal.

See pleadings in *Solex* v. *Plastic*, #57-C-466, Ex. 66, 67; *Solex* v. *Plastic*, 268 Fed. 2d 637.

14. In May, 1960, Plastic acquired from Butterfield a license under the Butterfield Patent, paying or agreeing to pay a total consideration therefor, on a monthly basis, of \$50,000.00. This license was acquired from Butterfield when Plastic was maintaining in court, as heretofore set forth, a position in which it not only was attacking the Tuohy Patent but was also challenging coercive and deceptive tactics of Solex whom it had not then acquired.

Pre-Trial Order, Admitted Fact 9, R. p. 47; Butterfield-Plastic license agreement, Part of Ex. 117.

15. Prior to the acquisition of Solex by Plastic, Solex had brought an action against Butterfield and Butterfield & Son in the District Court of the United States for the District of Oregon, Civil 60-107. After this action had been pending for some time and after the acquisition of Solex by Plastic, Plastic became a coplaintiff against Butterfield and Butterfield & Son and continued the litigation against him and the corporation, Butterfield & Son. While this action was pending the plaintiff and Butterfield & Son applied for and after hearing obtained, on September 10, 1961, a pre-

liminary injunction against Plastic against bringing or continuing the prosecution of actions or suits against licensees of Butterfield for infringement of the Tuohy Patent by reason of manufacture of devices under the Butterfield Patent, including actions then pending in other Federal Courts against Titmus Optical Company, Inc., a licensee of Butterfield, and against Rogers Brothers, another licensee of Butterfield. The temporary injunction also enjoined Plastic from notifying the trade that lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, from threatening to sue licensees of Butterfield because of such alleged infringement, and from notifying the trade that the Butterfield Patent is inoperative or that the trade could manufacture and sell corneal contact lenses under the teachings of the Butterfield Patent without infringing it. This injunction order of this Court was made pursuant to findings and an opinion setting forth in substance that Plastic, since its acquisition of Solex, had continued many of the improper acts of Solex in its licensing program which Plastic had successfully challenged in the Federal Court in Illinois. Solex Laboratories, Inc. v. George H. Butterfield, et al, 202 F. Supp. 461 (D. Or. 1961).

Order granting preliminary injunction and memorandum opinion of the Court, Ex. 129.

16. There is no evidence that Plastic, since the time of said injunction order or since the time of the settlement of the former action between the parties, Civil 60-107, ever took any steps to repudiate or disassociate itself from the wrongful conduct of Solex enjoined in

the Federal Court in Illinois as heretofore set forth or from its own conduct of a somewhat similar type enjoined by this Court in the former action, and there is likewise no evidence of any such effort by Plastic to disassociate itself from such conduct or to disavow such conduct since the time of the settlement of the former action in April, 1962.

17. At the time Plastic acquired Solex and control of the Tuohy Patent in November, 1960, Solex had outstanding approximately 56 license agreements all or substantially all of which were in the form of Form 2, Ex. 46. Substantially all of such agreements had been obtained by Solex subsequent to August 6, 1958, the date of the decision of Judge Tolin in Solex v. Graham, supra. This is the opinion which Solex improperly used in circularizing the trade concerning the effect of the opinion and the scope of the Tuohy Patent as determined in the Chicago litigation between Solex and Plastic, above referred to. These Solex license agreements called for a royalty of \$3.50 per pair of lenses and the royalty paid by the licensee was measured only by the quantity of Tuohy lenses handled by each licensee during each accounting period. Eventually Plastic, by dealings with the Solex licensees and by dealings with the trade, had acquired a total number of approximately 110 licensees at the time of the settlement of the former action between the parties in April, 1962. At the time of the settlement of the former action in April, 1962, the license agreements between Solex and its licensees and the new licenses acquired by Plastic had been converted into a different form of license agreement exemplified by Form Number 8 in Ex. 46. The new agreements reduced the royalty rate to fifty cents per lens.

Group of license forms used by Solex and Plastic, with attached explanatory yellow sheet, Ex. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; Agreement between Plastic and Tuohy and Zabner for purchase of Solex stock, Ex. 136; Pre-Trial Order, Admitted Fact No. 7, R. p. 46.

18. At the time of the settlement of the former action between the parties Butterfield had 12 licensees, including Plastic, the Butterfield corporation, Titmus Optical Company, Rogers Brothers, Sloan Optical Company, Inc. (name changed to Southern Contact Lens Laboratories, Inc.), and Utah Optical Supply Co.

List of Butterfield licensees showing dates when license agreement first obtained, Ex. 73; File of outstanding Butterfield license agreements, Ex. 117.

19. At the time of the settlement of the former action between the parties in this Court, the current pleadings before the Court of the respective parties were the amended complaint of Solex and Plastic (Ex. KK-1), the amended and supplemental answer and counterclaim of Defendants Butterfield and Butterfield & Son (Ex. KK), and the answer to counterclaim of Plastic and Solex (Ex. KK-2). The case was never tried on the merits and there was never any adjudication in contested proceedings between the parties of the issues

raised in the pleadings except to the extent that this Court held a hearing on the merits of Butterfield's motion for temporary injunction and issued its temporary injunction after opinion and findings in October, 1961, this temporary injunction and the opinion and findings having been previously described.

- 20. At the time of the settlement of the former action the current pleadings before the Court did not tender any issue as to the validity, either under the antitrust laws or otherwise, of the royalty base then in use by Plastic under its license agreements of the type exemplified in Form 8, Ex. 46, being the form now in use by Plastic. The pleadings likewise tendered no issue as to the validity or existence of any conduct by Plastic in interpreting or seeking to apply in the trade the scope of said royalty base as it may have applied to unpatented, unfinished and uncut pieces of plastic material or to non-Tuohy-type lenses. The pleadings did not tender any issue as to the proper interpretation of the form of license agreement then in use by Plastic, with respect to said royalty base, as to whether it did or did not apply to uncut, unfinished or non-Tuohy-type pieces of plastic material.
- 21. The former litigation between the parties was settled by a duly entered consent judgment (Ex. 1), a filed stipulation of facts and matters (Ex. 2), a filed stipulation for dismissal of counterclaim (Ex. A), and an unfiled settlement agreement (Ex. 3). The consent judgment was entered May 10, 1962, and the stipulation of facts and matters on which it was based, as well

as the unfiled settlement agreement, were dated April 24, 1962.

Pre-Trial Order, Admitted Fact 8, R. pp. 46-47.

22. The entered consent judgment, in pertinent part, provides:

"IT IS HEREBY ADJUDGED AND DE-CREED as follows:

- 1. Plaintiff-counterdefendant The Plastic Contact Lens Company is an Illinois corporation having its principal place of business in Chicago, Cook County, State of Illinois.
- 2. Plaintiff-counterdefendant Solex Laboratories, Inc. was, up to May 12, 1961, a California corporation, having its principal place of business in Los Angeles, County of Los Angeles, State of California.
- 3. On or about May 12, 1961, plaintiff-counter-defendant The Plastic Contact Lens Company became successor in interest to and caused said Solex Laboratories, Inc. to be dissolved and assumed all rights and obligations of said Solex Laboratories, Inc. arising out of this action.
- 4. Defendant-counterclaimant George H. Butterfield, Sr. is a resident of Portland, Multnomah County, State of Oregon.
- 5. Defendant-counterclaimant Geo. H. Butterfield & Son is an Oregon corporation, having its principal place of business in Portland, Multnomah County, State of Oregon.
- 6. This Court has jurisdiction over the parties and the subject matter of this action.

- 7. Plaintiffs' complaint is dismissed with prejudice as to the defendant George H. Butterfield, Sr.
- 8. Counterdefendant The Plastic Contact Lens Company is a licensee under U. S. Letters Patent in suit No. 2,544,246.
- 9. Defendant Geo. H. Butterfield & Son is a licensee under U. S. Letters Patent in suit No. 2,510,438.
- 10. U. S. Letters Patent in suit No. 2,510,438 are good and valid in law as between plaintiffs and counterdefendant Geo. H. Butterfield & Son.
- 11. United States Letters Patent in suit No. 2,544,246 are good and valid in law as between counterclaimant George H. Butterfield, Sr. and the plaintiffs-counterdefendants.
- 12. Within six (6) years immediately preceding May 12, 1961, said counterdefendant Solex Laboratories, Inc., infringed U. S. Letters Patent No. 2,544,246 and counterdefendant The Plastic Contact Lens Company has made full settlement of and for damages suffered by counterclaimant George H. Butterfield, Sr. from and by virtue of said infringement.
- 13. All matters of costs, attorneys' fees and all other financial recoveries involved in or arising out of this action have been settled and satisfied out of court by and between the parties and the parties have waived judgment therefor.
- 14. The parties having waived injunctive relief, no injunctive relief is granted by this judgment.
- 15. The injunction pendente lite which has been issued out of and under the seal of this Court

against plaintiffs-counterdefendants pursuant to the Court's order of September 19, 1961, is hereby dissolved and the surety bond posted as security therefor by defendant-counterclaimant George H. Butterfield, Sr. is hereby exonerated and released."

Ex. 1.

- 23. The stipulation of facts and matters which was filed in court as a basis for the entry of the consent judgment, so far as here material, contained provisions coincident with the above provisions of the consent judgment. The only relevant additional matters provided for in it were:
- (a) That Butterfield and Butterfield & Son should dismiss with prejudice all counterclaims set forth in the amended and supplemental answer and counterclaim except the counterclaim for infringement of the Butterfield Patent.

Par. 2.

- (b) That Butterfield, the individual, has not infringed the Tuohy Patent.
- (c) That by license agreement between Plastic and Butterfield dated May 6, 1960 (Ex. 71), Butterfield granted a license to Plastic under the Butterfield Patent, that said license agreement has been and still is in full force and effect and that, therefore no judgment for infringement should be entered in favor of Butterfield against Plastic for infringement by Plastic of Butterfield's Patent, other than for the infringement of said Patent by Solex prior to May 12, 1961.
- C These added matters appearing in the stipula-

tion taken together with the consent judgment are of significance in considering the contentions of the parties with respect to the scope of the Butterfield Patent as related to the Tuohy patent. The consent judgment and stipulation recognized that substantial infringement of the Butterfield Patent had been made by Solex.

- 24. The unfiled settlement agreement (Ex. 3), except for the formal dismissal of the counterclaim of Butterfield and the corporation, Butterfield & Son, completes the important settlement documents. Its provisions, so far as here relevant, were as follows:
- (a) Provision is made in the agreement for the precise form of stipulation of facts and matters and consent judgment to be presented to the Court. The forms attached to the agreement are identical with those filed and entered in court.

Par. 1.

- (b) That Solex has infringed the Butterfield Patent and as settlement for damages suffered by Butterfield from such infringement Plastic:
- (i) Releases any claims against Butterfield or Butterfield & Son for infringement of the Tuohy Patent;
- (ii) Conveyed to Butterfield the right to grant Butterfield & Son a royalty-free license under the Tuohy Patent;
- (iii) Conveyed to Butterfield the right to grant royalty-free Tuohy licenses to Butterfield licensees, Titmus, Rogers, Sloan and Utah Optical.

- (iv) Agreed to dismiss with prejudice the pending actions by Plastic against the Butterfield licensees, Titmus and Rogers; and
- (v) Agreed to pay to Butterfield the sum of \$6,000.00. (This latter sum is clearly allocated in the settlement agreement to the part payment of infringement damages suffered by Butterfield from infringement by Solex.)

Par. 2.

(c) Plastic further agreed, as part of the settlement above set forth for Butterfield's infringement claims against Solex, to pay the sum of \$60,000.00 in three installments, two in 1962 and the balance January 2, 1963. (This \$60,000.00 sum is separate from and in addition to consideration to be paid by Plastic for infringement of the Butterfield Patent.)

Par. 3.

(d) That nothing contained in the settlement agreement should prevent either Plastic or Butterfield from soliciting licensees of the other or from bringing suit against such licensees for infringement of their respective patents.

Par. 4.

(e) Butterfield gave to Plastic the right to grant to a Plastic licensee, Ocular Products, Inc., of Seattle, Washington, a royalty-free license under the Butterfield Patent.

Par. 6.

(f) Butterfield and Butterfield & Son shall file

a dismissal with prejudice of their counterclaims except the second counterclaim seeking damages for infringement of the Butterfield Patent.

Par. 7.

(g) Each party thereby released "any and all claims or causes of action which he or it has or may have against each of the other parties arising out of the action or the subject matter of the action."

Par. 8.

- 25. All sums required to be paid by Plastic under the terms of the settlement agreement of April 24, 1962, have been paid.
- 26. Issues No. 1 and 2 herein as set forth in the pretrial order require a determination as to what, if any, issues involved in the present action between the parties were finally terminated by the settlement of the former action in the manner heretofore set forth. None of the issues presented in the pre-trial order, either under the statement of Plaintiff's contentions, Defendant's contentions with respect to Plaintiff's claims, or under the statement of the issues to be tried could have been affected by the settlement of the former action so as to bar Butterfield herein.

Defendant's contentions with respect to Plaintiff's claims, Pre-Trial Order, Contention No. 5, R. p. 63.

27. None of the Plaintiff's contentions herein or the issues to be tried involving Plaintiff's contentions, as set forth in the pre-trial order, were terminated or barred by the settlement and final termination of the

previous litigation between the parties, including specifically, but not limited to, any contentions of the Plaintiff or issues formulated thereon dealing with the subject matter of the royalty base sought to be enforced by Plastic against its licensees as including lenses consisting of unpatented, uncut or unfinished lenses or finished lenses not made in accordance with the teachings of the Tuohy Patent.

Among the more detailed evidence, considerations and reasons leading to the Court's above ultimate finding are the following:

- (a) Plastic's conduct with respect to the application and enforcement of its royalty base pertained only to acts and conduct of Plastic occurring subsequent to the date of the settlement. There was no evidence whatsoever that Plastic had interpreted or sought to enforce its current forms of license agreement against its licensees so as to cover any devices or lenses other than Tuohy lenses prior to the time of the settlement.
- (b) Plastic admitted at the trial of the case in chief that it now construes, enforces and seeks to enforce its current license agreements to require payment by its licensees on unfinished and uncut lenses, both of which are unpatented, and on finished Butterfield and other type of non-Tuohy lenses, and that in its dealings with the trade it makes these requirements both by demand upon its licensees and by litigation filed against them covering royalties on such a broad non-Tuohy base.

- Plastic's answers to Plaintiff's second interrogatories 5 and 6, Ex. 6; Wesley Deposition, pp. 84-6, 118, 132-3, 115 (Ex. 12); Admissions of Plastic's counsel during trial, Trial Record, p. 113; The following illustrative items of correspondence between Plastic and its licensees, including Exs. 20, a, b, c, 21 a, b; Plastic Royalty Report Form, Ex. 76.
- (c) However, there is no evidence that any of the foregoing concerned enforcement activities of Plastic in the application of its royalty base prior to the time of the settlement of the former action.
- (d) The supplemental answer and counterclaim of Butterfield in the former action did not challenge the validity of the Plastic royalty base as recited in its license agreements or Plastic's enforcement of that royalty base in the broad sense now under consideration in any respect but was limited to charges of extended and unjustified claims by Plastic as to the pretended broad scope of the Tuohy Patent itself as covering all finished corneal contact lenses made under the teachings of other patents, such as the Buttterfield Patent.

See supplemental answer and counterclaim of Butterfield in former action, Ex. KK.

(e) The proper construction of the current Plastic license agreement with respect to the royalty base therein provided was not an issue in the former case and there is no evidence from Defendant or otherwise that it was in any manner before the Court either under the pleadings or the settlement agreement or the consent judgment or stipulation.

- C (f) The agreement between Plastic and its licensees is somewhat ambiguous, with respect to its royalty base, but, when properly construed, does not call for the payment of royalties on devices other than Tuohy-type lenses. The word "devices" as used in paragraphs 1 and 2 of the current license agreement (Form 8, Ex. 46) is limited to Tuohy-type lenses, which the license particularly covers as more fully set forth in paragraph 1 of the license agreement. The word "devices" as it appears in the royalty base provision in paragraph 2 is not enlarged to cover unpatented, unfinished or uncut pieces of lens material or non-Tuohy patent items despite some rather broad language in paragraph 2. Because of the Court's later factual and legal conclusions that a broader interpretation and application of the royalty base are illegal as violations of the anti-trust laws, restraints on trade and unfair competition, the Court adopts a construction of this instrument which renders it legal and valid, rather than illegal (a construction always to be preferred), and further adopts another cardinal rule of contract construction by construing the agreement most strongly against the party who caused the document to be prepared and placed in circulation.
- C (g) The current form of Plastic license agreement, not having been enforced by Plastic according to any evidence before this Court is (sic) an illegal or improper manner by covering non-Tuohy-type devices in its royalty base, prior to the settlement, there is no justification for any finding that the issue as to a royalty base covering non-Tuohy-type or unpatented items

either was or might have been involved in the former settlement.

- (h) Assuming for purposes of argument only that there was any evidence in the current case that Plastic, prior to the settlement, was seeking to enforce a broader royalty base, covering unpatented or non-Tuohy-type devices (this being evidence which Plastic was required to produce in this case, in order to support its contention of res adjudicata or settlement), such evidence would not change the result in view of the clearly established circumstances in the present record that the conduct of Plastic in this respect was repeated and continuing in nature so that the settlement agreement and any provisions of the consent judgment applied only to damages and wrongs sustained by Butterfield from such supposed activity or from such broad royalty base provisions as may have occurred prior to the entry of the consent judgment and prior to the exchange of mutual releases under the settlement agreement.
- C (i) In the case of continuing or repeated wrongs or torts of the type involved under the Plastic license agreement or Plastic's acts thereunder neither the settlement agreement nor the consent judgment affected anything except Butterfield's claims because of wrongs in this area committed prior to the time of the settlement. Both the stipulation of facts and the consent judgment bearing the approval of the parties expressly set forth that the parties had waived any rights for injunctive relief and that no injunction of any kind was sought or obtained. No provision of the settlement

agreement or the consent judgment or filed stipulation attempted to validate, for the future, any of the acts or rights of the parties as they might have existed prior to the settlement except for the clearly stipulated provisions that both the Tuohy Patent and the Butterfield Patent should be recognized as valid, for purposes of the future relations of the parties, and that nothing in the settlement should prevent one party from soliciting the other's licensees or suing the other's licensees for infringement. Except for these latter provisions there is nothing in any of the settlement documents or the consent judgment which operated prospectively on any of the conduct of the parties or their status or relationship as it might have theretofore existed. The Court therefore finds that there was no intent in either the consent judgment or any of the settlement documents to release. bar or approve, for future purposes, after the date of the settlement, either Plastic's conduct in asserting and enforcing a broad royalty base or a broad royalty base if properly provided for in the Plastic license agreements.

- C (j) The foregoing reasoning and facts apply equally even though the current Plastic license agreement, properly interpreted, provides for royalties on unpatented and non-Tuohy lenses. It was not intended by the parties to the settlement of the former action or by the consent judgment to validate prospectively the broad contractual royalty base contended for by Plastic since the settlement of the former action.
- C (k) The broad royalty base contended for by Plastic under its current license agreement, in any

event, whether this rests on a misinterpretation or misapplication of the agreement by Plastic or by the correct application of contract terms, as applied to the facts in this case, is violative of the anti-trust laws, is an invalid restraint on trade and constitutes unfair competition. The detailed reasons for these ultimate findings will be later set forth and are, in the interests of brevity, here incorporated by reference. Under the settlement agreement of the parties and the consent judgment, viewing it as a contract or series of contracts, the parties were legally incapable of giving their approval to the executory portion of an illegal contract or illegal acts to be committed by Plastic thereafter, and the consent judgment, properly construed, contains no adjudication whatsoever, including the order for dismissal of Butterfield's counterclaim in the former action, placing judicial approval on such an illegal contract or conduct.

(1) The wrongs of which Butterfield presently complains in his contentions are not the same as Plastic's conduct in the form of its enforced or contractually provided broad royalty base because this base has been combined with other wrongs all occurring since the time of the former settlement, thus giving rise to an entirely new tort or series of torts, so that the presently contended for wrongs are in no manner the same as the tort of the broad royalty base which Plastic contends was barred by the former settlement. As previously set forth, Plastic's application of its broad royalty base has not only been continuous subsequent to the time of the settlement, but also it has been combined with the

claimed improper use of offers of indemnity against infringement of the Butterfield Patent, made by Plastic to its licensees, a course of instituted and threatened coercive litigation and misrepresentations to the trade. all designed, in combination with the royalty base, do (sic) damage Butterfield in the furtherance of his licensing program under his own competing patent. The specific situation involving the broad royalty base asserted by Plastic cannot, therefore, be considered out of context with the other claimed illegal activities now contended for by Butterfield. If the combination of all of these elements gives rise to a new tort it is obviously not the same as that which Plastic contends might have been before the Court at the time of the last settlement. Therefore, consideration of this element as a basis for a possible new tort or series of torts committed against Butterfield by Plastic is not barred or foreclosed either by the settlement agreement or the consent judgment.

28. Corneal contact lens manufacturers in the United States, including Plastic licensees, in addition to manufacturing and selling complete and finished corneal contact lenses, also partially fabricate and sell to lens fitters and dispensers unpatented pieces of lens material known in the trade as "unfinished" and "uncut" devices which the purchasing fitters and dispensers use in, themselves, fabricating complete and finished corneal contact lenses. These fitters and dispensers fabricate said devices into finished corneal contact lenses having any desired diameter and curvature relationship to the patient's cornea, whether it be in accordance with the Butterfield Patent, the Tuohy Patent, or any other pat-

ent, and such unpatented pieces of lens material constitute a substantial part of the commerce between the several states of the United States.

Wesley Deposition, Ex. 12, pp. 10-11; Butterfield, Tr. 278-80.

C 29. As previously set forth in Finding 27 (b), it was clearly established in the evidence that after the settlement of the former action between the parties Plastic has consistently, in its dealings with its own licensees, who are prospective Butterfield licensees, sought to require them and did in fact require them to pay royalties under their license agreement on non-Tuohy-type lenses and on unpatented, unfinished and uncut lens devices. Plastic threatens to continue such practice.

C 30. For the purpose of exacting unjustified royalties on unfinished and uncut lenses and on non-Tuohy lenses, Plastic has filed and maintained and is threatening to file and maintain court actions against its licensees. Included in such court actions which are currently pending and being maintained are the following against its licensees who are also licensees of Butterfield:

The Plastic Contact Lens Company, a corporation, vs. Richard Hunt, Marco Lens Co., a corporation, et al, Civil Action No. 528,952 in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 60; Wesley-Jessen, Inc., a corporation, and The Plastic Contact Lens Company, a corporation, Plaintiffs and Cross-Defendants, vs. Con-Cise Lens Co., Defendant and Cross-Complainant, Civil Action No. 528,422, in the Superior Court of the State

of California in and for the City and County of San Francisco, Ex. 137-B.

31. At the time of the trial of the principal case Plastic had acquired a total of approximately 160 to 165 licensees, and of these, at the time of trial, approximately 135 represented apparently valid, active, outstanding license agreements, not represented by cancellations or terminations because the licensee had gone out of business or because of similar reasons. Practically all of the present Plastic license agreements are the same or substantially the same as Form 8 of Ex. 46, previously referred to, containing a royalty base which Plastic claims covers all devices, whether or not Tuohy devices.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Pre-Trial Order, Admitted Fact 7, R. p. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; List of Plastic cancellations, Ex. 123.

32. Plastic has consistently been collecting payments of royalties on this basis from its licensees in substantial amounts, as evidenced by Ex. 121, containing a breakdown of the Plastic royalty revenues by periods. This Exhibit shows that Plastic, subsequent to April, 1962, has collected at least \$459,314.00 in royalties from its licensees calculated on this basis. There is no direct evidence in the record from which a determination can be made as to the approximate amount of these royalties which were calculated on pure Tuohytype lenses and the amounts which were derived from

royalties on unpatented, unfinished, uncut or non-Tuohy-type lenses.

Ex. 7.

33. There are more than 300 manufacturers of plastic contact lenses in the United States.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Partial list of names of contact lens manufacturers in the United States, Ex. 132.

34. At the time of trial Butterfield held approximately 35 licenses from manufacturers and of these about 20 held licenses under both patents.

Pre-Trial Order, Admitted Fact 6, R. p. 46.

- 35. Of the total number of Butterfield licensees, 12 were in existence at the time of the settlement of the former action, he had acquired 12 additional licensees up to the time Plastic sent out to the trade its form letter offering special indemnity against claims for infringement of the Butterfield Patent (Letter, Ex. 54; form of indemnity agreement with list of signers, Ex. 75), and 10 licensees since the time of this offer of indemnity on December 10, 1962. The last licensee obtained by Butterfield, despite solicitation efforts by him, was under date of August 15, 1963, and the last group of licensees acquired by him were small in volume and did not substantially affect his royalty revenues.
 - Butterfield, Tr. 165-6; List of Butterfield licensees showing dates he first obtained license agreement, Ex. 73; List of Butterfield licensees who have ceased paying royalties, Ex.

74; Graph and schedule showing receipts by Butterfield from license agreement, Ex. 118.

36. The Plastic Contact Lens Company has its principal office and manufacturing establishment in Chicago, Illinois, has 24 branches throughout the United States, and competes with its own licensees in the field of manufacturing and sale of contact lenses as well as with other unlicensed manufacturers in this same field of activity.

Deposition of Wesley, Ex. 12, pp. 12-13, 16-18.

37. The manufacture and sale of contact lenses is highly competitive and the evidence shows that the constant trend since April, 1962, in the prices charged by manufacturers is downward so that the prevailing prices are approximately \$3.00 per uncut lens and \$3.75 per finished lens.

Butterfield, Tr. 276, 281-2; Dippery, Tr. 207; Conlogue, Tr. 310-313; Exs. 80-A, 80-B; Price lists covering manufacturers' prices on lenses. Ex. 124.

38. The prevailing license rate per lens under the Plastic licensing system is 50 cents per lens or per unpatented piece of lens material, and the prevailing Butterfield rate is slightly less than this amount.

See current Plastic license agreements, Form 8, Ex. 46; See forms of Butterfield license agreements, Ex. 117, some of which contain unitary royalty provisions at 50ϕ per lens, and "paidup" royalty at a flat monthly rate calculated as described by Butterfield (Tr. 284-6) as $37\frac{1}{2}\phi$ per lens.

- C. 39. The ordinary manufacturer with the low sales price of his lenses, whether Tuohy or Butterfield or some other type, cannot afford to pay double royalties amounting to \$1.00 a lens or slightly less than that figure, without serious economic stress. This stress becomes much greater when royalties in similar amounts are exacted by Plastic from its licensees on unpatented, unfinished and uncut lenses which they may handle and which will not be made into Tuohy-type finished lenses but which will be completed in accordance with the teachings of the Butterfield Patent.
- 40. The commerce in the manufacture and sale of contact lenses and the competing licensing systems of the parties to this case is interstate in character and interstate commerce is directly and substantially affected by it.

Butterfield, Tr. 365.

C. 41. That licensees of Plastic, comprising a substantial part of Butterfield's potential market for his license agreement, objected to and could not afford to pay double royalties on either finished or unpatented unfinished lenses, including lenses of the Butterfield type, was clearly established by numerous items of correspondence in the record and by the testimony of witnesses. What is even more significant is that this evidence, all of which was offered by Butterfield, was in no manner controverted or challenged by any evidence offered by Plastic.

Butterfield, Tr. 185, 188, 190, 269, 351; Conlogue, Tr. 310-312; Dippery, Tr. 207; See the following correspondence between Plastic and its licensees and Butterfield and his licensees or potential licensees: Corresp.—Acon Laboratories, Exs. 81A-B, 23 a, b; Conlogue (Procon), 80A-B; Tanco, Ex. 88-B, Ex. 30; Bell Optical, Denver, Ex. 91B, Ex. 29; Spokane Optical, Ex. 17A, B, C; Dr. Robert Shumate, Ex. 18A, B.

C 42. At the time of the settlement and termination of the prior litigation, and by correspondence immediately thereafter with Plastic's attorneys, Butterfield and his attorneys attempted to have Plastic join with Butterfield in publishing to the trade a joint statement describing the terms and conditions of the said settlement and termination, which attempts were rejected by Plastic and its attorneys. In this correspondence, the attorneys for Butterfield and Plastic agreed that the Consent Judgment and the Stipulation of Facts and Matters on file with the Court should be made known to the trade, but that the terms and conditions of the Settlement Agreement, which was not filed, should not be made known to the trade. In the conduct of his licensing program since said settlement, Butterfield and his attornevs have conformed to said agreement and did not make the Settlement Agreement known to the trade until after Plastic had done so in the Fall of 1962.

Deposition of Wesley, pp. 50-54, Ex. 12; Mason, Tr. 503-4; Correspondence between Mason and Van Sciver from May 16 to May 25, 1962, inclusive, Ex. 47-52, inclusive.

C 43. During the period from April, 1962, up until December 10, 1962, when Plastic made its widespread of-

fer of indemnity to its licensees against claims for infringement under the Butterfield Patent, Butterfield was actively out in the field soliciting license agreements from both Plastic licensees and others. During this period he made significant, though not outstanding progress, and, as stated previously, obtained approximately 12 new licensees. During this time he repeatedly met with statements and communications from manufacturers interviewed that they were making a Butterfieldtype lens with the qualities and characteristics previously described in these Findings but that they would not or could not pay double royalties on Butterfield lenses. In many instances Butterfield failed to obtain license agreements after meeting a response of this kind. In most instances Butterfield or others on his behalf either viewed the lenses in question or obtained samples to satisfy themselves that a prospective licensee was actually making or handling Butterfield-type lenses.

Butterfield, Tr. 171, 173, 183, 185, 186, 188, 190, 192, 264, 269, 344, 345, 351; Dippery, Tr. 205, 208, 234, 222, 235, 237; Conlogue, Tr. 310, 315, 320; See also Exhibits: Dippery Report of Oct. 11, 1963, Ex. 84A; Vision Clear Correspondence, Ex. 41-41E; Northwest Northern Dealings, Ex. 83-83R; Rich-Tint Dealings, Ex. 87A-C.

C 44. During this same period, substantial numbers of prospective licensees of Butterfield were making the Butterfield-type of lens and there was a substantial demand in the manufacturing and fitting trade for a Butterfield-type lens. Several manufacturers were called by Butterfield who testified to the substantial use of But-

terfield lenses in their own operations and described the type of lens they deemed to comply with the teachings of the Butterfield Patent. No contrary witnesses or evidence were offered by Plastic.

Conlogue, Tr. 315, 320; Dippery, Tr. 208; Satterlee, Tr. 462-3; Butterfield, Tr. 171, 173, 185, 264-6, 351, 391-2.

- C 45. It is clear from the same portions of the record that large numbers of manufacturers who held Plastic licenses under the Tuohy Patent and who were paying on the basis of Plastic's claimed broad royalty base, admitted that they were making a Butterfield-type lens but declined to deal with Butterfield, nevertheless.
- C 46. On October 25, 1962, Plastic sent out to all of its licensees a form letter (Ex. 53) purporting to explain the settlement it had made with Butterfield in the preceding April, after a lapse of some six months during which it had been attempting to keep its licensees in line on its broad royalty base. After referring to the settlement, and without describing it, this letter in substance stated:
- (a) That Plastic had "recently settled" its patent litigation with Butterfield. In fact this settlement had been made more than six months before in April of 1962.
- (b) A settlement was reached with Butterfield to avoid further expenses of litigation and exposure to the risks of litigation.
- (c) Plastic was fully released by the settlement "from all claims alleging infringement of the Butter-field Patent."

No statement was made that Butterfield or Butterfield & Son were similarly released, no statement was made that Solex had been found guilty of infringing the Butterfield Patent and that Plastic had agreed to pay .Butterfield for this infringement. Furthermore, Plastic failed to state that it already held a Butterfield license which protected it from infringement claims, so that a release was unnecessary.

- (d) That as consideration for Plastic's release by Butterfield, Plastic had given the right to Butterfield to grant to Butterfield & Son and to four other Butterfield licensees licenses under the Tuohy Patent.
- (e) That these Butterfield licensees, Titmus, Rogers, Southern Contact Lens and Utah Optical, were thus included in the settlement arrangement "because the Butterfield interests had indemnified them against liability arising from their infringement of the Tuohy Patent."

Ex. 117: Butterfield, Tr. 433-5.

(f) There is a failure to point out that Solex was determined in the settlement to have infringed the Butterfield Patent. No explanation is made in the letter that both parties recognized the validity of the other's patent, that Plastic already held a Butterfield license agreement, and that each party recognized the right of the other to solicit one another's licensees and bring infringement actions against them. To a trade, then under active solicitation by Butterfield, the omissions of these material facts could not have resulted in anything except severe detriment to Butterfield in his solicitation efforts.

(g) That the settlement with Butterfield did not constitute the granting of a license under the Tuohy Patent "upon terms and conditions more favorable" than those provided in the Plastic standard license agreement.

Plastic license agreement, Form 8, Ex. 46, p. 6.

The foregoing form letter, by its omission to state many material facts concerning the settlement, sent out as it was some six months after the settlement, was obviously deceptive and designed to cause Butterfield difficulties in the promotion of his licensing program which, by contract, specifically included permission to solicit Plastic licensees.

C 47. In the period prior to the form letter of October 25, 1962, the correspondence files of Plastic with several of its licensees and their counsel deal with the subject of whether or not the Butterfield settlement, by extending Tuohy licenses to five Butterfield licensees, invoked the operation of Plastic's most favored nation clause.

See the following items of correspondence: Mueller-Welt, Ex. 22a, b, c; Univis, Ex. 25a-e, 69; Precision Cosmet, Ex. 26a-d; Kontur Contact, Ex. 27-27c; Contact Lens Guild, Ex. 32; Conforma (Goldberg), Ex. 33-4.

(a) While Plastic may have had some reason for sending out the letter of October 25, 1962, because of possible difficulties over the most favored nation clause, it had no right to misrepresent to the trade, mainly by concealment and non-disclosure of relevant terms, sig-

nificant and compelling circumstances of the settlement. It assumed the burden of explaining the settlement and did so in a manner which could only have been detrimental to Butterfield.

(b) Some correspondence between Plastic and at least one of its licensees in the period prior to October 25, 1962, shows that Plastic did disclose certain of the terms of the unfiled settlement agreement, and the letter of October 25, 1962, is a partial disclosure, at least, of the terms of this unfiled settlement document.

Ex. 69—letter of August 3, 1962, Van Sciver to Biebel.

(c) Butterfield did not make public the terms of the unfiled settlement agreement until after said terms were made public by Plastic, and both Mason and Butterfield recognized that, during the settlement discussions in April, 1962, there was an understanding that the unfiled provisions of the settlement agreement, should not be made public.

Ex. 47, 49 (Correspondence — Mason and Van Sciver); Butterfield, Tr. 445; Mason, Tr. 504.

(d) That the letter of October 25, 1962, purported to be a full and fair explanation of the circumstances and facts of the Butterfield settlement is clear. In the opening paragraph of Plastic's circular letter of December 10, 1962 (Ex. 54), to its own licensees, offering them indemnity against claims for infringement of the Butterfield Patent, it stated that, "under date of October 25, 1962," it wrote to its licensees "advising them of the circumstances under which the Plastic Contact Lens

Company recently settled its patent litigation with George H. Butterfield, Sr., and his company."

C 48. On December 10, 1962, Plastic sent out to its licensees the previously mentioned circular letter (Ex. 54) offering indemnity against infringement of the Butterfield Patent. The form of indemnity agreement (Ex. 75) was enclosed. These letters and indemnity forms were sent to all Plastic licensees and, as of the date of trial, approximately 40 of such licensees had accepted the offer and executed the indemnity form. A few of those who signed included Butterfield licensees, and the offer of indemnity was obviously made to any Butterfield licensee who also held a Plastic license.

Pre-Trial Order, Admitted Fact 10, R. p. 47; Letter offering indemnity, Ex. 54; Indemnity agreement with list of signers, Ex. 75; Plastic's answers to Interrogatories Nos. 1, 2, 3, 4, 6 and 10 to Plaintiff's Second Interrogatories, Ex. 6.

C 49. Since the offer of indemnity by Plastic, Butter-field has obtained only 10 additional licensees, all small in number, the last being obtained August 15, 1963. During this time Butterfield continued his efforts.

Butterfield, Tr. 165-6; List of Butterfield license agreements and dates, Ex. 73; Dippery, Tr. 207, 209-10; Ex. 84A; Statement of Butterfield royalty revenues, showing no substantial increase since this date, Ex. 118.

C 50. At or about this same time Plastic entered into a program of litigation against certain of its non-paying licensees who had either had dealings with Butterfield

over a license agreement or had obtained a Butterfield license agreement, designed to coerce and restrain not only the sued Plastic licensees but other Plastic licensees from dealing with Butterfield, under the threat of litigation which would involve not only the amount of unpaid royalties but conspiracy damages for alleged activities in dealing with Butterfield to damage and injure the Plastic licensing system. These actions included an action against Security Contact Lens of Los Angeles in the California state court (Complaint, Ex. 58), an action against Midwest Scientific Co. of Chicago, in the Illinois state court (see conspiracy charges in supplemental complaint and second supplemental complaint (Ex. 61 and 62), an action against Mueller-Welt (Ex. 100), and an action against Con-Cise Lens Co. of San Francisco, in the California state court at San Francisco against Marco and Hunt, both being licensees of Plastic and of Butterfield, also naming Mason, Butterfield and Butterfield & Son as defendants (Ex. 60). In all but one of these actions a count or allegations appear charging that the defaulting Plastic licensee has conspired with Butterfield and his attorneys to damage the Plastic licensing system, and recovery is asked not only for defaulted royalty payments but for substantial sums as conspiracy damages. In the Mueller-Welt case, conspiracy is charged, but the conspirators are not named.

Ex. 137b.

C 51. The litigation previously described was wholly groundless and, in view of its coordination with the other activities of Plastic in these Findings described,

was brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield.

(a) The litigation against Security Contact Lens Company in Los Angeles was finally terminated by settlement with a dismissal of the action at law and counterclaim by agreement of the parties with prejudice and without costs (Ex. 119). Despite the allegations of defendant's counterclaim, in the instant case, concerning alleged conspiracy and intermeddling by Butterfield and his attorneys, there was no evidence whatsoever of any connection between Butterfield or any of his attorneys with Plastic's licensee, Security Contact Lens, and the only evidence on this subject was from Mason and Butterfield who completely negatived any dealings upon which such charges might have been based.

Mason, Tr. 490; Butterfield, Tr. 189-90.

(b) The Mueller-Welt conspiracy charges were groundless.

Mason, Tr. 497-8, 556; Butterfield, Tr. 190-1.

(c) As to the litigation against Midwest Scientific Company in Chicago, the only evidence is that of Butterfield and Mason, and both of these witnesses established that no improper relations of the type claimed by Plastic took place. This action was against a nonlicensee of Plastic when Plastic's supplemental complaint charging conspiracy was filed and involved an issue as to the validity of the Tuohy Patent. Butterfield had no dealings with Midwest Scientific Company except to obtain a license agreement, while the litigation was pending. Mason was retained by Midwest as its

patent attorney in the Midwest case and first appeared in the case in July, 1962.

Butterfield, Tr. 176-7, 354, 363; Mason, Tr. 486; Notice of Mason's formal appearance in case (Ex. 139).

(i) Mason's relationship was solely with Midwest, his activities as an attorney at law were directed toward issues of validity and infringement of the Tuohy Patent, and his bills were rendered to and paid by Midwest. Butterfield had no part in their payment and played no part in the employment of Mason.

Mason, Tr. 488-9; Butterfield, Tr. 176-7, 354-6.

(ii) Mr. Patrick Ford, then an office employee in the Portland office representing Butterfield, Pendergrass, Spackman, Bullivant & Wright, played a limited part in this case by arranging depositions for and at the request of Mason, in the northwest, of individuals possibly having knowledge as to some of the prior art in the contact lens field, which might have a bearing on the validity and scope of the Tuohy Patent. Neither this law office nor Mr. Ford played any other part in this litigation, Butterfield had no connection with the arrangement and Mr. Ford's firm's bill was paid directly by Mason who, in turn, was paid by Midwest.

Mason, Tr. 488-9; Butterfield, Tr. 363-4; File of correspondence involving attorney Ford's activities, Ex. 97 through 97a to 97-1, inclusive; Paid statement of Pendergrass, Spackman, Bullivant & Wright, August 31, 1962, Solex v. Midwest, Ex. 134.

(iii) Plastic introduced no evidence whatsoever of any improper connection or dealings concerning this litigation. This litigation terminated in a settlement made after Mason's withdrawal.

Mason, Tr. 488; Ex. 120 for settlement agreement.

- (d) The evidence concerning the litigation between Con-Cise and Plastic is equally lacking in any plausible basis for any charges of improper cooperation or conspiracy between Butterfield and his attorneys on the one hand and Con-Cise, a Plastic licensee, on the other.
- (i) Mason was retained in this case at the request of Mr. Tiret, an executive of Con-Cise, on or shortly prior to September 27, 1962.

Formal notice of association of Mason as attorney in case, September 27, 1962, Ex. 138; Tiret, Tr. 426-7; Mason, Tr. 491-2.

(ii) In the pleadings in that case, Mason, as associate counsel, filed pleadings challenging the validity of the broad Plastic royalty base.

Pleadings in Plastic v. Con-Cise, Ex. 137b.

(iii) Tiret's company, Con-Cise, had a royalty agreement with Plastic which went into default before the settlement agreement of April, 1962, and Tiret's company entered into a license agreement with Butterfield subsequent to the settlement. Mason, Butterfield and Tiret all testified fully concerning the circumstances of this relationship and there is no evidence whatsoever of any improper dealings by Butterfield or

his attorneys concerning the defaults by Con-Cise in their Plastic license agreement or of any activity designed to damage the Plastic licensing system.

Mason, Tr. 493; Butterfield, Tr. 363; Tiret, Tr. 425, 427; Tiret Deposition, Ex. 146 (in *Plastic* v. *Hunt*, et al), p. 9, line 20, to p. 11, line 13; See also deposition of Marlin D. Parker, Ex. 103, formerly an executive of Con-Cise during the time of its dealings with Plastic and Butterfield, showing clearly the absence of any foundation for charges of conspiracy or improper dealing; p. 23, line 18, to p. 24, line 21, p. 43, lines 11 to 19; p. 44, line 10, to p. 45, line 4.

(iv) There is correspondence indicating that someone in the trade felt that there should be trade contributions toward litigation costs in the Con-Cise litigation, but there is no evidence whatsoever of any trade contribution to Mason's fees, and Mason testified that he did not authorize such efforts (but Parker's deposition states that Mason said that "it would be okay to write such a letter"), and that he had received only \$600.00 in fees from Con-Cise, all paid by Con-Cise itself.

See part of Ex. 103, letter, Parker to Hunt, Tr, 519; See part of Ex. 59, letters, Tabin to Breger, January 3, 1963, Breger to Goldberg, January 9, 1963; Mason, Tr. 493, 517-37, 555-6; Tiret Deposition, Ex. 146, p. 11, lines 4-13; p. 16, line 19, to p. 18, line 22; Parker Deposition, Ex. 103, p. 35, line 7, to p. 41, line 21; p. 45, line 5, to p. 46, line 2; p. 48, lines 8-10.

(e) The Plastic licensees involved in the San Francisco litigation by Plastic in which Butterfield, Mason, and Butterfield & Son were also named as defendants were Hunt and Marco. Both of these were also licensees of Butterfield.

Pleadings in *Plastic* v. *Hunt*, Ex. 60; File of Butterfield licensees, Ex. 73; Butterfield, Tr. 356; Boyle, an executive of Marco, called as witness, Tr. 244; Boyle deposition, p. 15, lines 16-25; p. 40, lines 6-21; and Ex. 101a to 101w, inclusive, the exhibits being a part of the Boyle deposition; Hunt deposition, p. 12, lines 1-9; p. 17, lines 16-19, Ex. 149.

(i) Butterfield had no dealings with Hunt whatsoever except to enter into a license agreement with him under the Butterfield Patent and subsequently had to sue Hunt under the license agreement for unpaid royalties. This action by Butterfield against Hunt was filed some time ago and is still pending.

Butterfield, Tr. 357; Pleadings in *Butterfield* v. *Hunt*, Ex. 137a; Hunt Deposition, Ex. 149, p. 16, lines 12-15; p. 44, line 15, to p. 45, line 4; p. 61, lines 8-18.

(ii) As to the defendant Marco in this case, both Boyle and Butterfield testified to no dealings whatsoever except for the taking of an oral license from Butterfield by Marco.

Butterfield, Tr. 359-61; Boyle, Tr. 244-6, 249-50; Boyle Deposition, Ex. 101, p. 22, lines 23-26; p. 44, lines 18-22; p. 46, lines 2-23; p. 47, lines 10-13; p. 61, line 14, to p. 62, line 7.

(iii) Concerning both licensees Hunt and Marco, Mason testified that he had had no relations with either of them whatsoever, and neither Hunt nor Boyle, or Marco, gave any evidence concerning any improper relations or activities by Mason, or any improper dealings with Plastic licensees.

Mason, Tr. 500-2, 506; Mason Deposition, p. 23, line 8, to p. 24, line 25, Ex. 102; Boyle, Tr. 248-9, 250, 259; Boyle Deposition, p. 46, lines 2-25, p. 50, line 24, to p. 51, line 22; Ex. 101; Hunt Deposition, p. 43, line 18, to p. 44, line 14, Ex. 149.

(iv) In this litigation against Hunt and Marco, commenced in January, 1963, the case as against Mason was dismissed voluntarily by Plastic in November, 1963, only after Plastic through its attorneys had taken Mason's adverse party deposition.

Mason Deposition, Ex. 102; Mason, Tr. 553.

(v) The depositions of Tiret, Parker, Hunt and Boyle, previously above described, were all taken by Plastic's counsel in the San Francisco litigation of *Plastic v. Hunt and Marco, et al,* after the action was filed. None of these depositions demonstrates any basis whatsoever for the litigation or the charges made. Mason, in this same litigation, filed a motion for summary judgment, because of lack of support for the case, and this was resisted by an affidavit of Plastic's San Francisco counsel, Mr. Hoppe (Ex. 59), clearly showing the lack of any information or evidence upon which to base the charges made. In essence, many of the charges in Plastic's counterclaim in this principal case

are centered around charges of improper activities by Butterfield and his attorneys in relationships with Plastic licensees or their attorneys.

- C 52. The lack of any adequate foundation for Plastic's claims which are in effect the same as the charges made in the litigation above described is further demonstrated in Plastic's answers to Plaintiff's Third Interrogatories, dealing with Plastic's counterclaim herein (Ex. 7). In these interrogatories, Butterfield's counsel were attempting to compel Plastic to set forth the basis for such charges and, except for the areas previously described, the regions of possible improper contact set forth by Plastic in their answers to these interrogatories appear in the answers to Questions Nos. 3 and 22.
- (a) These show that there is litigation between Plastic and W.R.S. Contact Lens Laboratories. Correspondence between Bullivant, one of Butterfield's attorneys, Ex. 86 to 86b, inclusive, occurred in October, 1963. This occurred after the present action was filed, in an effort by Butterfield's attorneys to ascertain whether or not Plastic was charging in its litigation with W. R. S. that Butterfield conspired with W. R. S. to damage Plastic. Similarly, there was some correspondence between Mason and Bader, the attorney for W. R. S., all occurring between October, 1963, and February, 1964 (Ex. 144), looking toward a possible meeting between Bader and Mason which never took place. All of this occurred long after Plastic had sued Mason for conspiracy in January, 1963, and after the Butterfield case against Plastic was filed in Portland

in Federal Court in July, 1963. In view of the contentions made by Butterfield in his pleadings in this case that the charges hurled by Plastic against Mason and Butterfield were groundless, the Court finds nothing wrong in the efforts of Butterfield's attorneys to contact other attorneys litigating with Plastic to determine the nature of the pleadings and proceedings involved.

(b) Defendant's answers to the interrogatories above described infer some improper dealings between Butterfield's attorneys and Dr. Noel Genevay of New Orleans. The evidence shows that the dealings of Bullivant, attorney for Butterfield, all took place in New Orleans in a personal meeting between Bullivant and Genevay's attorneys in January, 1963, held for the purpose of discussing a possible license between Butterfield and Genevay.

Correspondence, Ex. 96 to 96d, inclusive; Butterfield, Tr. 346.

(c) The Court finds that the correspondence issued by Mr. Breger or by his counsel (attachments to Ex. 59, letter, January 3, 1963, Tabin to Breger, letter January 9, 1963, Breger to Goldberg) pertaining only to Mr. Mason, shows nothing whatsoever improper on Mason's part and that Mason did not have any knowledge of any effort by Breger or his group to solicit funds for counsel fees.

Mason, Tr. 517-37, 555-6.

(d) While Ocular Products, Inc., of New York is mentioned in the answers to these interrogatories as a possible source of improper contact, both Butterfield

and Mason have testified that there was no relationship whatsoever in this area, and there is no evidence whatsoever supporting any charge of conspiracy, involving this Plastic licensee.

Butterfield, Tr. 345; Mason, Tr. 499.

C 53. Since the time of the settlement agreement Plastic has improperly asserted as its policy in the trade that the Butterfield Patent is inoperative, highly restricted in scope and lacks utility. It has also asserted an unduly wide scope for its Patent, including correspondence claiming the Tuohy Patent to be of pioneer nature and stating its susceptibility to broad and liberal consideration.

Wesley Deposition, pp. 107-111, 112-114, Ex. 12; Opening statement of counsel in this case, Tr. 44-45; Ex. 95, attached letter of July 8, 1963, McClure to Vision Clear.

54. It has further, in correspondence, misrepresented, to a material degree, the nature of the settlement it made with Butterfield. Van Sciver, its attorney, in writing to Biebel, attorney for Univis, a substantial Plastic licensee, after being advised by Biebel in his letter of July 27, 1962, that "Mr. Butterfield continues to press his claim for infringement against Univis . . .," stated in his reply letter of August 3, 1962, in referring to the settlement, "that Geo. H. Butterfield & Son has acknowledged that the Tuohy Patent is good in law and has been infringed by it." Under the settlement documents, no party acknowledged any infringement of patent except that Plastic agreed that Solex had infringed the Butterfield Patent.

See Ex. 69 for Biebel-Van Sciver letters.

- C 55. The effectiveness of the offers of indemnity by Plastic to its licensees, in December, 1962, in preventing them from dealing with Butterfield for a license, despite their manufacture of Butterfield-type lenses, is demonstrated by the cases of two Portland and one Vancouver, Washington, manufacturers holding Plastic licenses who were sued by Butterfield for infringement or threatened with suit after Butterfield had proof, through sample lenses, of their making of Butterfield-type lenses. These were the instances of Columbian Bifocal, of Portland, Northwest-Northern and Paramount, of Portland, and Rich-Tint, of Vancouver, Washington.
- (a) Butterfield had proof that Rich-Tint and Northwest-Northern, both holding Plastic licenses, were making Butterfield lenses, yet declined to take a license from him.

Butterfield, Tr. 173, 182-3.

(b) Butterfield sued both Northwest-Northern and Rich-Tint in the United States District Court for the District of Oregon before either of these concerns had accepted Plastic's offer of indemnity for claims asserted for infringement of the Butterfield Patent. Each action was settled after appearance by attorneys for each licensee by the entry of a consent judgment and the taking of a Butterfield license.

See Exs. 83a, 83p, as to Northwest-Northern; 87c, 87a, as to Rich-Tint.

(c) A substantially similar result was obtained

with respect to Columbian Bifocal as against whom the complaint was prepared but never filed after meetings between the attorneys for Butterfield and Columbia (sic) Bifocal. In each of these three instances the evidence shows that the attorneys for each licensee corresponded with the attorneys for Plastic, bitterly complaining of Plastic's unwillingness to extend indemnity against claims for infringement of the Butterfield Patent and the conclusion is inescapable that, if any of these Plastic licensees had previously obtained an indemnity agreement from Plastic, they would not have settled with Butterfield by taking a Butterfield license, despite their manufacture of Butterfield-type lenses.

Butterfield, Tr. 174, as to Columbian Bifocal dealings; Correspondence concerning Columbian Bifocal, Ex. 94 to 94h, inclusive, and Ex. 56 and Ex. 70; Pleadings and correspondence concerning Northwest-Northern and Paramount, Ex. 83 to 83r, inclusive, and Ex. 39a to 39r, inclusive; Pleadings and correspondence concerning Rich-Tint, Ex. 87 to 87b, inclusive, and Ex. 38 to 38b, inclusive.

- C 56. Plastic's offer of indemnity by its circular letter of December 10, 1962, with the accompanying indemnity agreement, was wrongful, done with intent to improperly injure Butterfield in his licensing program and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees.
- (a) Prior to the actual offer of indemnity to its licensees, Plastic had been approached repeatedly by

various of its licensees pointing out variously that they had been solicited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses, or expressing concern on the part of several as to whether they were justified in continuing to deal with Plastic and pay double royalties.

United Optical, Ex. 15a-b; Contact Lens Co. of America, Ex. 16, a, b; Univis, Ex. 25a-e; Precision Cosmet, Ex. 26a-d; Marvin Nelson, Ex. 82a-b; Erickson Optical, Ex. 19a, b, c; Raycon, Inc., Ex. 20a, b, c; Yakima Contact Lens, Ex. 55; Spokane Eye Clinic, Ex. 92B; Global Contact Lens, Ex. 13B, C; Wisconsin Optical Ex. 14a, b, c, d, e; Dist-O-Con, Ex. 21a, b; Cal-Con, Ex. 24a, b, c, d, e; Tanco (Tannehill) Ex. 88a, b, c, d, e, f; Bostick Optical, Ex. 28; Custom Contacts, Ex. 31.

(b) In its letter of December 10, 1962 (Ex. 54), Plastic, after stating that it had advised its licensees in its letter of October 25, 1962, concerning the circumstances of the settlement, stated that "concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Patent." Obviously, Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves against infringement liability by taking a Butterfield license. The inference is clear that, in order to head off this revolt and continue to exact royalty and toll on Butterfield-type lenses, Plastic then made its offer of indemnity. The offer could have been made only for the purpose of inviting

its licensees to continue to make Butterfield lenses without the payment of royalties to Butterfield and to look to Plastic for indemnity.

(c) The indemnity agreement offered by Plastic fails to condition the offer of indemnity to devices which are made in accordance with the teachings of the Tuohy Patent. This agreement provides in paragraph 2 that Plastic will indemnify a licensee "against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246, with respect to devices sold by licensee during the period beginning on the date hereof and ending at such time as this agreement shall be terminated." The agreement in paragraph 1 expressly reaffirms the duty of the licensee "faithfully to report and pay royalties to licensor in accordance with the provisions of paragraphs 2, 3, and 4 of said patent license . . . upon all devices as defined in said patent license, that are sold by licensee during said term." The agreement, moreover, in addition (a), paragraph 2, in measuring the amount of the indemnity, refers to an award of damages to be finally adjudged against the licensee, and provides that Plastic will pay 85% of such award "on devices sold by licensee during the term hereof and on which licensee shall have paid royalties to licensor as provided in paragraph 1 hereof."

Ex. 75.

The quoted material from the indemnity agreement removes all doubt that it was Plastic's intent not only to indemnify against only claims arising under the Butterfield Patent but to continue the claim of a broad royalty base which it sought to enforce on non-Tuohy and non-patentable items under its original license agreement. There is no limitation whatsoever in the indemnity agreement that the protection it affords is limited to devices made under the teachings of the Tuohy Patent. Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on Butterfield's rights under his Patent and look solely to Plastic for indemnity.

- (d) As a licensee of Butterfield under the Butterfield Patent and because of the consent judgment and settlement in which it again recognized the validity of the Butterfield Patent and agreed that Butterfield might solicit Plastic licensees, Plastic is estopped and precluded from carrying out such indemnity agreements, for reasons more fully hereafter stated in the Conclusions of Law. This estoppel, as the Court hereafter determines, is an estoppel to challenge that it has utility and a useful scope as well as an estoppel to aid and assist its licensees in infringing the Butterfield Patent, because of its duty in good faith to carry out the terms of the settlement agreement. Additionally, the Court finds that the use of these indemnity agreements is a breach by Plastic both of its license agreement with Butterfield and of the implied and express terms of the consent judgment, stipulation and settlement agreement.
- C 57. Plastic's application of its royalty base in its license agreement to all types of corneal lens devices, whether Tuohy or not, and whether patentable or not, wrongfully and illegally restrained trade and violated

the anti-trust laws to the injury and detriment of Butterfield.

- (a) There is no evidence whatsoever in the record justifying any claim by Plastic that convenience of accounting is a proper excuse for such a broad royalty basis. Plastic called no licensees and no one from its own administrative staff to testify to any difficulties which might exist in this area.
- (b) The broad royalty base enforced by Plastic, whether justified by its license contract or not, is an illegal effort to extend the legitimate monopoly of Plastic under the Tuohy Patent to large quantities of non-Tuohy devices and the enforcement of this provision necessarily causes Plastic licensees to refuse to deal with Butterfield and others who may have legitimate claims for royalties under their own patents.
- (c) Some contention was made at the trial by Plastic that Butterfield himself, in his license agreements, employed a royalty base which was broader than a pure Butterfield-type of lens. Butterfield's license agreements were all placed in evidence as Exhibit 117. The Court finds that these agreements do not support Plastic's contentions in this respect.
- (i) These license agreements of Butterfield fall into three categories: Four of them only, Titmus, Utah Optical, Mann Instrument Company and Southern Contact Lens, call for a payment of a royalty based on five per cent of the gross sales of contact lenses by the licensee. These agreements all preceded the settlement of April, 1962, and all of them, with the exception

of Mann Instrument Company, became Tuohy licensees, through Butterfield, as a part of the settlement. Therefore, whether or not Tuohy lenses or Butterfield lenses were covered in the royalty base becomes immaterial.

- (ii) The next class of Butterfield license agreements is the so-called paid-up license form, and these are the most numerous, as shown in the last mentioned Exhibit. Butterfield testified, Tr. 284-6, as to the method of computing the paid-up royalty provided for in this type of license. He bases it upon the volume of the prospective licensee in the previous year. The monthly average is ascertained and the monthly number of lenses is multiplied by $37\frac{1}{2}\phi$ per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent. The licensee pays the thus-determined amount for the paid-up license and that amount is paid in equal installments.
- (iii) The third type of Butterfield license agreement is the so-called unitary type which rather clearly, under the forms in Ex. 117, calls for a royalty of 50 cents per lens only on lenses made under the Butterfield Patent.
- (iv) Several of the royalty agreements of Butterfield contain express provisions that all unfinished lenses shall be sold by the licensee with a notice on the invoice that the lenses are to be finished only in accordance with the Butterfield Patent. Moreover, the evidence is undisputed that Butterfield used a rubber stamp (Ex. 115) which he provided to all of his li-

censees with instructions that they use the rubber stamp on their invoices. This rubber stamp contains instructions that the lenses involved are to be finished only in accordance with the Butterfield Patent. Butterfield, as the owner of the Butterfield Patent, had every legal right to authorize his licensees to in effect grant an oral sublicense to their buyers to finish lenses in accordance with the Butterfield Patent. At least one Butterfield licensee, Con-Cise, uses a printed form on its invoice similar to the text of the rubber stamp.

Butterfield, Tr. 286-8; Butterfield, Tr. 288-9; Ex. 131; Tiret Deposition, Ex. 146, p. 38, lines 2-15; Parker Deposition, Ex. 103, p. 21, line 21, to p. 23, line 17; p. 25, line 24, to p. 26, line 1.

C 58. The Court, in addition to finding that Butterfield, by the wrongful acts of Plastic herein set forth, has been prevented from acquiring a substantial volume of new business under license agreements, further finds that, because of the same acts of Plastic, various Butterfield licensees have stopped paying royalties to him. This decrease in royalty revenue is reflected in the statement of Butterfield royalty revenue and the list of defaults appear. Typical of the refusals to pay, because of the activities of Plastic, are the cases of James Tannehill (see correspondence), and Dr. Conlogue who appeared as a witness. These licensees advised Butterfield that they were not paying either Plastic or Butterfield because they were unwilling to pay double royalties and it is clear in both cases that each licensee was making a Butterfield-type of lens.

Ex. 118; Ex. 74; Exs. 88a to f; Exs. 80 a, b; Butterfield, Tr. 270; Conlogue, Tr. 310-12.

C 59. The Court find (sic) that the acts of Plastic in seeking to enforce a broad royalty base, in misrepresenting the terms of the settlement with Butterfield, in wrongfully challenging the scope and utility of the Butterfield Patent, in offering indemnity against infringement of the Butterfield Patent to its licensees and in bringing, maintaining and threatening to prosecute coercive actions against licensees who may deal with Butterfield or negotiate with him are wrongful, in tortious violation of Butterfield's rights, are illegal restraints on trade, violations of Federal anti-trust laws against acts in restraint of trade, are unfair competition in that they wrongfully interfere with Butterfield's contractual relations with his licensees and with Butterfield's legitimate business anticipations in his licensing program and are a violation of the implied covenant of good faith in the settlement agreement, settlement stipulation and consent judgment involved in the settlement of the former litigation between the parties.

C 60. While the Court is unable at this time from the evidence now before it to make a reasonably accurate determination of the damage sustained by Butterfield as a proximate result of the wrongful conduct of Plastic, the Court finds that the damage and injury suffered by Butterfield from such conduct and the damage and injury he will sustain in the future are substantial and irreparable and that the wrongful conduct of Plastic, unless enjoined by appropriate injunction, will continue

and will result in further irreparable damage and injury to Butterfield.

Ruling is reserved on the amount of damages sustained by the plaintiff by virtue of the acts of defendant until an accounting is had, as hereinafter directed. Likewise, the Court reserves ruling on the reasonable value of the attorney fees to be allowed to plaintiff.

C 61. The Butterfield Patent was issued March 6, 1951, and has only about 44 remaining months of the term for which it was granted, and the time and expense which would be required to institute and prosecute infringement actions against the numerous infringers in various jurisdictions would be prohibitive and the delay incident to the maintenance of such actions would result in the expiration of the Butterfield Patent before such actions could be completed. A large majority of the corneal contact lens manufacturers who would be defendants in such actions have limited financial means and for that reason alone many of the actions would quite likely be ineffective insofar as Butterfield obtaining any financial recovery for the infringements would be concerned.

C 62. The Court has already determined that substantial numbers of corneal contact lenses fitted and sold in the market today embody the principles of the Butterfield invention and are covered by the Butterfield Patent, and the Court expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent.

- C 63. The Court further finds that the Butterfield Patent has been infringed by many of Plastic's licensees. C 64. There is no evidence to support the charge of Plastic that Butterfield has asserted for his Patent a scope far broader than it actually has or that Butterfield has charged many manufacturers with infringement based on alleged over-broad pretentions as to the scope of his Patent.
- C 65. Plastic did not offer its indemnity agreement in December, 1962, as claimed by Plastic, in a sincere effort to protect its licensees who were not making Butterfield lenses but, as previously found, said indemnity was offered for the purpose of preventing Plastic licensees making Butterfield lenses from dealing with Butterfield.
- 66. There is no evidence supporting Plastic's charge that Butterfield has repeatedly told Plastic licensees that their lenses did not utilize the Tuohy invention or that they need not pay royalties to Plastic on such lenses or that the royalty base provided in Plastic's license agreements was illegal, and the alleged defaults in Plastic's license agreements have not been brought about by any wrongful conduct on the part of Butterfield.
- 67. The Court finds as untrue the charge of Plastic that Butterfield, through his attorneys, has been an officious intermeddler in Plastic's suits and actions against its licensees by aiding and abetting such licensees through tendering legal advice or through encouraging them to band together or by providing legal services and talent for such parties.

- 68. Plastic has failed to establish, prove or justify any of its material allegations or contentions with respect to its counterclaim.
- 69. While Butterfield is a principal stockholder in Butterfield & Son, there is no evidence that Butterfield & Son is Butterfield's alter ego.
- 70. There is no evidence showing that Plastic has been damaged or injured in any sum by any act of Butterfield or any of his attorneys.
- C 71. There is no evidence showing that Butterfield has ever asserted or contended for any broader scope of the Butterfield Patent than is described and claimed in and by said Patent.
- 72. There is no evidence showing that Butterfield has ever used the Butterfield Patent in any manner which violates the anti-trust laws of the United States.
- 73. The Court has carefully observed the manner and demeanor of the plaintiff and each of his witnesses, while on the witness stand, and, is convinced that plaintiff and each of said witnesses is worthy of belief.

Based on the foregoing Findings of Fact and the proceedings in this cause, the Court makes the following:

CONCLUSIONS OF LAW

I

C Butterfield is not estopped to raise the issues of unfair competition, restraint of trade and violation of

the anti-trust laws due to Plastic's enforcement of a broad royalty provision in its license agreements. Neither the interpretation of these license agreements, the validity of the contractual base therein provided or the validity of Plastic's acts in seeking to enforce a broad royalty base were adjudicated, settled or disposed of in the consent judgment and supporting settlement documents.

II

C Butterfield is not estopped to raise issues of unfair competition, restraint of trade or violation of the anti-trust laws due to Plastic's royalty practice, and such practice and conduct on the part of Plastic represent not only continuing wrongs giving rise to new causes of action but also subsequent misconduct, actions for which are not barred by the prior consent judgment and settlement agreement.

III

C Plastic, as a party to the prior consent judgment and settlement agreement, is estopped to challenge the validity of the Butterfield Patent and the other issues therein expressly concluded by agreement.

IV

C Additionally, the continued use by Plastic of such claim of broad royalty base, in combination with the other wrongs set forth in the Findings of Fact and in these Conclusions of Law, give rise to a new tort or wrong or series of new torts or wrongs in combination so that the same wrong or tort as that which might have been involved at the time of the settlement of

the former action is not involved in the present litigation.

V

C Plastic's use of circulars, letters and other means of communication for the dissemination of false or misleading representations as to the operative effects of the Butterfield Patent and the scope and effect of the consent judgment and settlement agreement in the prior action between the parties, in an effort to induce Butterfield licensees and prospective licensees in the corneal contact lens field to discontinue or refuse to enter into contractual relations with Butterfield, is actionable interference with Butterfield's contractual relations and business interests.

VI

C The institution or threat of institution of groundless and vexatious civil suits against Butterfield, his licensees and potential licensees by Plastic are wrongful and justifiable (sic) interferences with business relations and enjoinable acts of unfair competition and, when such suits and threats of suit are considered in relation to other related activities on the part of Plastic, an underlying unlawful scheme to suppress competition is revealed for which Butterfield is entitled to relief even if such suits are not entirely groundless.

VII

C Plastic's indemnity agreement is entirely different from the standard indemnity form used in patent licenses. The indemnity agreement, on the facts in this case, constitutes a wrongful bargain to indemnify another against the consequences of committing a tortious act, and it is illegal since the performance of the tortious act under the evidence, to-wit; interference in dealings between Butterfield and prospective licensees and infringement of the Butterfield Patent and the offer of indemnity tended to and did bring about such acts.

VIII

C Plastic is estopped to challenge the operative effect or utility of the Butterfield Patent and is likewise estopped to challenge its validity.

IX

C Plastic, as a licensee of the Butterfield Patent, is estopped to attack its validity and since the utility of the Butterfield invention is an essential requisite to patentability, Plastic cannot challenge the operative effect or utility of the Butterfield Patent.

\mathbf{x}

C Plastic cannot use its legitimate patent monopoly as a method of suppressing competition or acquiring a monopoly outside the area of the monopoly which the patent grants or in any way extending the scope of the patent beyond that granted which it does through the exaction of royalties from its licensees on unpatented, unfinished and uncut pieces of material used in the manufacture of corneal contact lenses, as well as upon finished corneal contact lenses made in accordance with the Butterfield Patent.

XI

Plastic is estopped to assert that the Butterfield lens is covered by any claim of the Tuohy Patent by the rule of patent construction, often referred to as "File Wrapper Estoppel," that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected.

XII

C An interlocutory decree should be entered permanently enjoining and restraining Plastic from:

- (a) The dissemination of false claims and information concerning the lack of utility or claimed narrow scope of the Butterfield Patent,
- (b) The dissemination of misleading, false, or erroneous information concerning the terms of the settlement of the former action between the parties, including deceptive types of concealment and non-disclosure with respect thereto,
- (c) The continued enforcement or use of a royalty base in its license agreements covering devices other than Tuohy-type devices,
- (d) The continued use of an indemnity agreement with its licensees offering indemnity against claims for infringement of the Butterfield Patent,
- (e) The institution, maintenance, prosecution or continued institution, maintenance or prosecution of actions against Plastic licensees wrongfully and without foundation charging alleged conspiracy with Butterfield or with others and the assertion of damages therefor, including any pending actions described in the Findings of Fact.

XIII

C An accounting should be had to fix the amount of

Butterfield's damages growing from the conduct of Plastic as found in this litigation and a judgment entered for thrice the amount of such damages. At the same time the Court should fix the amount of attorney fees to be awarded to plaintiff.

XIV

Realizing that an appeal may be prosecuted under the provisions of 28 U.S.C. § 1292 (a) (4), from my interlocutory decree, I shall not fix a time for hearing on the issues of damages.

DATED this 1st day of March, 1965.

JOHN F. KILKENNY, District Judge

ARTICLE RE CONTACT LENSES FROM FORTUNE MAGAZINE, APRIL 1936

(The original Exhibit, 68, contains the front page of the magazine with authenticating dating and the following material is copied from the Exhibit as the entire context of the article labeled "Contact" and dealing with contact lenses.)

"Although contact eye glass lenses are more than a hundred years old—they were invented in 1827 by Sir John F. W. Herschel, son of the great astronomer—the use of them has become noticeable only in the past three or four years. Last year the American offices of Carl Zeiss, Inc., of Jena, Germany, sold 450 lenses, compared to 300 the year before, and the E. & S. Danz Co. of Manhattan sold more than a hundred. All told, about 3,000 U. S. eyeglass wearers go around with the eyeglass lenses perched not on either side of the nose but resting on the eyeball, under the eyelid.

"There isn't anything that will bring out the latent squeamishness in people so quickly as the suggestion that they wear glass lenses—or anything else—right inside their eyes. But contact lenses don't bother the wearer at all if properly fitted. They can be put in and taken out in a few seconds, worn for eight and ten hours at a stretch without irritation. You hardly know you have them on and no one else can see them. Though only a hundredth of an inch thick, they are protected by the bony structure around the eye and cushioned by the eyeball and don't break even if you get socked in the eye. At least, Zeiss knows of only one case of breakage in use. A man in Germany was

in an automombile accident, his face was smashed and his eyelid slashed away. The contact lens cracked, without splintering. But on breaking it broke the force of the blow on the eyeball, saving it from rupture and the man from blindness.

"There is no reason. Zeiss or Danz will admit blandly, why you should wear contact lenses if ordinary eyeglasses suit you. Zeiss lenses cost \$55 to \$80 a pair and an oculist's fee runs up another \$25 to \$50. Danz charges \$75 to \$150. Contact lenses are more of a nuisance than ordinary glasses, but tennis and squash players and swimmers, whom glasses hinder, find them useful. Nearsighted actresses, whose public would rise up in scorn to see them wearing spectacles, could use contact glasses to advantage. Libby Holman wears them. A ship captain uses them on the bridge where his ordinary glasses get clouded with spray. Certain eye defects (chiefly keratoconus, a cone-shaped malformation of the cornea) can be ideally corrected by contact lenses. But 50 per cent of contact sales are made to women who are, justifiably enough, vain of their looks and realize that they are more beautiful without spectacles than with. A specific Zeiss recommendation is that contact glasses be worn by oversensitive young girls who might get inferiority complexes if they wore spectacles.

"Zeiss and Danz lenses achieve the same results but they are produced quite differently. Zeiss, which grinds optical glass for everything from microscopes to planetariums, grinds contact lenses. Danz, whose major business is blowing artificial glass eyes, blows them. Danz's blowers, who double in glass as artificial-eye makers, are so expert that they can blow in the slight difference in the thick-

ness of glass that give the glass optical properties. Zeiss lenses have a wider range of correction than Danz, which, incidentally, fit more loosely than Zeiss. While the Zeiss lenses fit only over the iris and pupil and are entirely transparent, Danz lenses cover the whole front of the eyeball—the glass covering iris and pupil is transparent, the rest opaque to simulate the white of the eye. Zeiss perfected its grinding processes only two years ago and the Danz method was also improved a couple of years ago. The improvements, of course, are what account for the recent increase in contact lens use."



TESTIMONY OF WITNESSES CONCERNING FITTING OF LENSES AND PARTICULARLY THE SECONDARY OR PERIPHERAL CURVE

JEROME B. CONLOGUE

(A licensee under both the Butterfield and Tuohy
Patents and an experienced manufacturer
and fitter.)
Tr. 306-337

"Q. Doctor, in your practice as an optometrist which involves the actual fitting of lenses to patients, and I am referring to the period subsequent to April, 1962, what are the characteristics of lenses which you fit on to the eyes of your patients?

"A. Well, it is a lens consisting of a concave and a convex surface. It has an optical area of the various size, depending upon the requirements of the patient.

"It then has what is generally known as secondary curves or intermediary curves that I consider to be the fitting curve of the lens. They can vary in degree or radius." (Tr. 314)

* * *

"A. In my practice I want a lens that conforms to the general curvature of the cornea and without any contact at all, if possible, in its primary position.

"Q. How is contact avoided, Doctor?

"A. When the adjustment of the curves, both the radii of the optical—the radius of the optical area and also the modification of the curvatures of the fitting curves, the second or intermediary curves.

"It is also controled (sic) by size, adjusting size sometimes larger and sometimes smaller.

"All these things come into play in establishing the characteristic of the lens and the ultimate fit desired.

"Q. With respect to the type of lens you are describing, has it a space for a tear layer provided under these?

"A. Yes.

"Q. Between the lens and the cornea?

"A. Yes.

"Q. What is the characteristic of that as to whether it is more or less uniform?

"A. Well, it is seldom completely uniform, but you want clearance of the cornea, like I said again, in the primary position of the lens. You strive tor a uniform fluid pattern." (Emphasis supplied) (Tr. 315)

* * *

"THE COURT: That is correct. Now, irrespective of the patent or what you read in the patent itself, would you tell me what the distinguishing features are that you find yourself in the Tuohy lens and the Butterfield lens.

"THE WITNESS: As a practitioner, not as a patent—

"THE COURT. As a practitioner, not as a reader of the patent itself.

"THE WITNESS: Well, the basic difference of the two lenses is the fact that Tuohy lens does not have any secondary intermediary curves. They both have a bevel of their own design. They disagree, or the fitting of the Tuohy lens as I fitted the Tuohy lens, it had corneal apical touch.

"THE COURT: What is that? What is the touch you are talking about?

"THE WITNESS: Apical is the center of the back surface of the contact lens rested on the apex

or you might say the geometrical center of the cornea.

"The lens that I am fitting in my office today—
"THE COURT: Now, is this the lens you were referring to as the Butterfield lens?

"THE WITNESS: Yes, and conforms without touching the cornea at any area and accomplishes the fit by modifying secondary curves and bevel.

"The big difference is the Tuohy lens was much larger and it had an apical touch. There was no way of modifying it other than making a little less apical touch, where this touch you can make it as steep or as much clearance as you want over the cornea, depending upon the particular case you are working on. (Tr. 320, 321)

* * *

- "Q. You mentioned in the course of your direct examination—and this I may not describe quite correctly—a test which I think is the Fluorscene test. Does that involve the mixing or dissolving into the tears a dye which will glow under black light?
 - "A. Yes.
- "Q. Then as I understand the test—incidentally, it has been explained by a previous witness, but if you disagree with anything he said I hope you will set it right—as I understand it, then, after the dye has been dissolved into the tears then the eye is illuminated with black light and the examining doctor can see by the green glow the distribution of the dye under the lens?
 - "A. That is correct.
- "Q. Now, when you have fitted a lens, and have a good one that you are satisfied with and plan to send your patient on his way, have you observed typically when the Fluorescene test is used that there

is relatively little or no glow in the center of the lens, but that it gets progressively brighter out towards the edges?

"A. No, that is not true.

- "Q. What is the characteristic of the Fluorescene test observed by you when you are satisfied with the fitting? What does it look like?
- "A. I would say in most cases it is just the reverse. As you get towards the periphery of the cornea, where it is flatter, there is less glow.
- "Q. What does this mean? Does this mean a thinner tear layer or a thicker one?
 - "A. A thinner tear layer.
- "Q. In general you find the greenish part is the portion in the center, and the part that is glowing less brightly out toward the edge?
- "A. No, I didn't say that. I merely reversed what you had heard before; that it was thinner in the center. The glow, if you can accomplish it, if it is uniform you have much better fittings.

* * *

- "Q. As I understand it, he says that a well-fitted lens will, when the Fluorscene test is used, just reflect a substantially uniform green glow over its entire surface.
 - "A. That would be ideal." (Tr. 330-332)

JAMES A. SATTERLEE

(A Butterfield licensee experienced as both a fitter and manufacturer who manufactures from

detailed prescriptions)

Tr. 459-469

"Q. Now, in a general way since you have your license from Butterfield, I will ask you, not for a legal opinion, but your opinion as a layman,

whether your business manufactures and sells a Butterfield type lens?

* * *

"THE COURT: I think that is generally true, Mr. McDougall but, nevertheless, he can answer the question, but I do want him to describe the type of lens then that he manufactures. After all, the weight of it then is going to be for the Court.

"THE WITNESS: Eliminating that is a Butterfield or a Tuohy lens, let me put it this way. We manufacture, as close to my knowledge as possible, a conforming type lens. I have discussed fitting techniques with every one of our accounts, and this is the general concensus, (sic) that we are all striving to fit a conforming type lens, so this is what we are making in our laboratory, to my knowledge.

- "Q. When you say conforming type lens, do you mean ideal in exact conformity in a theoretical sense?
 - "A. As close as possible.
- "Q. Well now, are you familiar with, by reason of your business, with the topography of the human cornea?
- "A. Well, yes, to a certain extent. I don't think any of us are real experts on it.
- "Q. Well, let me ask you what is it, a complete perfect geometric configuration, or does it have—
 - "A. It has irregularities.
 - "Q. Irregularities?
 - "A. Right.
- "Q. Therefore, Mr. Satterlee, according to your experience, is it possible to accomplish exact conformity?
 - "A. Exact conformity, no." (Tr. 462-463)

JAMES C. DIPPERY

(A Butterfield licensee experienced as both a fitter and manufacturer)

Tr. 201-235

"Q. Now, in your solicitation efforts in this area, what, if anything, did you learn as to the type of lens being made as a trade when you interviewed?

"A. By and large, a Butterfield lens or a bicurve lens at least.

"Q. Now, Mr. Dipprey (sic), you have discussed the Butterfield lens. In your trade experience and in your own business and in your dealings with the trade, would you please state your concept of the general characteristics of a Butterfield lens?

"A. Well, it would be a lens that would conform to both meridians of the cornea or as close as possible with a second or a series of secondary curves and bevels conforming to the cornea.

"Q. Now, have you formed any conceptions in your own mind as to the type of a lens which complies with the Tuohy patent?

"A. Yes, sir.

"Q. Would you please state what they were?

"MR. McDOUGALL: This is objected to, your Honor. It calls for an interpretation of a patent by a witness who obviously doesn't have any foundation for it.

"THE COURT: Well, I think he is qualified to assert the extent. He has given his conception of one of the patents. Now, I believe it would be helpful in weighing this witness' testimony to see what he says about the other type. Proceed.

"THE WITNESS: After reading the patent from a mechanical standpoint, the lens would be fabricated flatter than the lowest meridian of the cornea without any secondary curves or without a second curve." (Tr. 208-209)

DON WEST

(A teacher of optometry, not in the practice, called by Plastic) Tr. 636-668

"Q. What is the fact with respect to the degree of difference of opinion in the subject of conformity between the lens and the cornea to which it is being fitted?

"Is there—well, you tell us, is there disagreement or agreement on that point?

"A. There seems to be a wide disagreement with respect to conformity especially in the peripheral areas.

"If there be conformity, it would be in the optic zone, optic cap area, the very small area somewhere near the center part of the cornea, and the contact. Peripheral to this there would have to be, in the thinking of our profession, a greater difference in the distance between the cornea and the contact.

"MR.. BULLIVANT: What was the last word? I am sorry.

"THE WITNESS: Between the cornea and the contact in the peripheral.

"MR. McDOUGALL: Q. By the word 'contact' you mean contact lens?

"THE WITNESS: Of the contact lens, ocular surface of the contact lens." (Tr. 642-643)

* * *

The witness on page 662 referred to a blackboard drawing (Ex. RR) depicting an area on the periphery of the cornea described in his testimony as the area be-

tween points B and C. This is the peripheral area as to which Plastic claims there is a flaring away by the lens from the cornea curvature according to trade practice. After referring to this area, on cross examination, the witness testified:

"Q. I don't understand it, Doctor. I am sorry. It is my fault entirely, I am sure.

"I am trying to find out what these differences of opinion in this area between B and C mean. Do they exist with respect to the relationship which the lens bears to the opposite portion of the eye or the cornea?

- "A. It would have to be related to it.
- "Q. Are these differences with respect to the degree of clearance between the lens and the eye?
 - "A. Yes.
 - "Q. They are. Then there is no-

"THE COURT: Speak up, Doctor, so the reporter can get your answer.

"THE WITNESS: Yes.

"BY MR. BULLIVANT:

- "Q. There is, then, no uniformity of opinion in that respect, as to the degree of uniformity in that area?
 - "A. That is correct.
- "Q. I mean the degree of conformity in that area.
 - "A. That is correct.
- "Q. So I assume, then, that there are competent people who believe in one degree of clearance in that area, and there is likewise other competent people who believe in a different degree of clearance or variation in that area?
 - "A. Yes.
 - "Q. And there is, then, therefore, no universal

or commonly accepted theory or technique with respect to that particular zone that we are talking about? Is that a correct conclusion from your testimony?

"A. Yes." (Tr. 662-3)

GEORGE H. BUTTERFIELD Plaintiff

"Q. Do you have any means of knowing, Doctor, whether in a given instance the conformity will be a true conformity all the way around, or will it conform only in one meridian?

"A. We know that the sclera is astigmatic as well as the cornea. We know the secondary area of the cornea underneath the secondary curve—we know that the astigmatism carried out from the central area into the secondary, or from the primary area into the secondary area. We know that. And this is good fitting technique, to fit a lens that generally conforms." (Tr. 395)

In addition, Butterfield testified in detail as a result of his numerous trade contacts and investigations that substantially all of the trade he interviewed was making a generally conforming bicurve type of Butterfield lens (Tr. 171, 172, 181, 185, 186, 264, 351, 368, 391).

The deposition of Hunt, a Plastic and Butterfield licensee sued by Plastic in California, also shows the extensive use in the trade of a Butterfield-type lens (Ex. 59, p. 32, line 21, to page 33, line 6).



ANALYSIS OF TRADE LITERATURE, EXHIBIT 104, PARTICULARLY AS IT PERTAINS TO SECONDARY OR PERIPHERAL CURVE OF LENS AND ITS RELATION TO PERIPHERY OF CORNEA

Exhibit 104A, Central Laboratories, pp. 17 and 18, Section A:

"The cornea is steeper in the central area which is known as the optic cap. We ordinarily measure the radius of curvature of the optic cap with a Keratometer. This flattening of the cornea peripheral to the optic cap shown in Diagram C may be compared to the diagrams of the corneal lens (Diagram A and B). We now see why the periphery of the contact lens is made flatter, longer radius of curvature than the center. The objective is to design the lens so that it will conform to the corneal contour." (Emphasis supplied)

Exhibit 104B, Precision Cosmet Company, Inc., shows use of secondary curve.

Exhibit 104E, Conforma Contact Lenses, Inc. (Cited in Plastic's brief, pp. 2 to 6):

"The name 'Conforma' is so given to this lens because it is made to conform most nearly to the true shape of the cornea."

* * *

"The base curve value will be that of the flatter corneal curve as measured in millimeters. * * *

"The Peripheral Curve and the Peripheral Flange of the Lens.

"The purpose of the peripheral curve is to pro-

vide for a free lacrimal flow. It permits the lens to hold position without tight symptoms developing.

"Fluorescein Picture.

"The dye pool at the periphery should be a wide, deep green pool about 1 mm. in diameter.

* * *

"A minimal clearance pool is what we strive for. An absence of dye will indicate corneal touch. This is observed as being a black area where the lens is touching the cornea."

Exhibit 104F. Article by Salvatori, President of Obrig Laboratories, Inc., p. 7:

"The fluorescein test should show a faint greenish yellow reflex between the primary curve and the cornea. * * *

"The secondary curve should also show a fluorescein reflex."

Exhibit 104G, Obrig Laboratories, Inc. Shows use of primary and secondary curves.

Exhibit 104i, Bausch & Lomb, Inc., Dallas, Texas.

"* * * Our rule of thumb in most cases is this:

"1. Use a contact lens whose inside radius of curvature is the same as the radius of curvature of the flattest corneal meridian.

"The second rule of thumb is this:

"2. Contour the periphery of the lens in a manner that will allow for proper corneal metabolism."

Exhibit 104H, Obrig Laboratories, New York. (This is cited in Plastic's brief at page 20). The following quo-

tation from p. 23 directly contradicts the quotation made by Plastic from the same publication:

"The secondary curve must parallel secondary curve of the cornea."

Exhibit 104J, Contact Lens Guild, Inc., p. 7:

"Fluorescein Pattern.

"Should show (1) moderate apical clearance centrally, (3) a band of green preferably not too dark in color surrounding the lens and indicating peripheral clearance."

The eight items of literature, Exhibits 104K to 104S, inclusive, all show the use of bi-curve lens types and order forms concerning characteristics of secondary or peripheral curve.

Exhibit 104T, Indiana Contact Lens, Inc.:

"* * * the peripheral zone which is an attempt to parallel corneal contours and which may in the lens consist of any number of adjacent curves or bevels."

Exhibit 104U, Bausch & Lomb, Inc., Rochester, New York, p. 4:

"Bausch & Lomb normally supplies secondary curves on these lenses flatter than the base curve in standard ratios depending on the power of the base curve."

Exhibit 104V, Tru-Form Contact Lens Corporation:

"The ideal fluorescein pattern is one in which there is a light fluorescence throughout the entire lens area."

Exhibit 104W, Contour Comfort Contact Lens Corporation:

"a. Base curve. Generally speaking, the base curve should be on K. Occasionally it is slightly steeper than K. Rarely or never is it flatter."

"7e. Secondary curve radius. Do not open edge too much.

"One mm. flatter than the base curve usually will allow the right amount of tear circulation."

The last two items, Exhibits 104X and 104Y, depict the use of a bi-curve type of lens.

CONTACT LENS CO. OF AMERICA

712 E. Colfax
DENVER 3, COLORADO
Phone AC 2-5302
Nov. 26, 1962

Pltf. Exhibit #16A Case 63-294 Rptr: J.B. Date 6-22-64 Clerk C.M.

Plastic Contact Lens Co. 37 S. Wabash Ave. Chicago 3, Ill. Attn.: Legal Dept. Dear Sir:

Today I was contacted by Mr. George H. Butterfield from Portland, Oregon, and when talking to him, he tells me that the type of lens we are making, the patent fee should be paid to him.

Would you please advise me what to do as I feel that I cannot pay a patent fee to both you and him for the same type of lens. I am sure that you are familiar with his patent so I do not have to go into detail.

Would you advise me what steps I should take and what I should tell Mr. Butterfield. Please answer me as soon as possible.

Very truly yours, /s/ H. Hellstrom H. Hellstrom

HH:rh
(Marginal comments omitted)

Clinton L. Mathis John O. Graybeal Delbert J. Barnard Patent and Trademark
Causes in
Courts and Patent Offices

Law Offices
MATHIS and GRAYBEAL
910 Fifth Avenue, Suite 306
Seattle 4, Washington
MUtual 2-2930

February 1, 1963

Pltf. Exhibit #38A Case 63-294 Rptr: J.B. Date 6-22-64 Clerk C.M.

Mr. Irwin Panter Panter, Nelson, Rothstein and Albert 10 South LaSalle Street Chicago 3, Illinois

Re: Plastic Contact Lens Company indemnity agreement

Dear Mr. Panter:

We represent Dr. A. R. Rich of Vancouver, Washington, and Rich-Tint Corporation of Portland, Oregon, with respect to certain patent matters, including the recent suit by Dr. Butterfield against Rich-Tint Corporation, Civil Action No. 62-393, in the U. S. District Court for the District of Oregon.

The offer to Plastic Contact Lens Company licensees of an indemnity agreement, per your letter of December 10, 1962, has recently come to our attention.

The undertaking of Plastic Contact Lens Company to indemnity its licensees against Butterfield infringement claims creates a quite unfortunate situation from the point of view of Rich-Tint Corporation.

After Rich-Tint became a Plastic Contact Lens Com-

pany licensee, and after the Plastic Contact Lens Company settlement with Dr. Butterfield, Dr. Butterfield began rather active negotiations with Dr. Rich, seeking a license agreement with Rich-Tint under the Butterfield patent. Several conversations with Dr. Butterfield were had by Dr. Rich and by me last spring and summer. It was Dr. Butterfield's position that the Plastic Contact Lens Company settlement with him was such that each could go their own way in licensing the industry, and that a license under his patent was therefore necessary by manufacturers in Dr. Rich's position, even though they be Plastic Contact Lens Company licensees. At Dr. Rich's request, I had an extended discussion of the matter with Dr. Butterfield on May 16, 1962, and the question of whether to accept a Butterfield license was under consideration by Dr. Rich from then until early September.

Mr. Irwin Panter Panter, Nelson, Rothstein and Albert Page 2 February 1, 1963

A revised license agreement was submitted by Dr. Butterfield to Dr. Rich the first week of September. Dr. Rich's letter to me forwarding this revised Butterfield proposal is dated September 10, 1962: Just before this development, specifically on August 21, 1962, Dr. Rich had called Plastic Contact Lens Company and talked to someone in their legal department (whose name is believed to be Richards or Richardson, although Dr. Rich is not certain as to this), seeking to find out whether Plastic Contact Lens Company would protect Dr. Rich against the Butterfield infringement claim. It is my understanding that Dr. Rich was advised at this time that no provision had been made in the Plastic

Contact Lens Company settlement with Butterfield to take care of licensees in Dr. Rich's situation and that Dr. Rich would have to deal with Dr. Butterfield "on his own," or words to that effect.

After our continuing delay in concluding the license agreement offered by Dr. Butterfield early in September, Dr. Butterfield filed Civil Action 62-393 against Rich-Tint Corporation on September 26, 1962. Since Dr. Rich was in no position to undertake the expense of defending the patent infringement suit on its merits, we proceeded to negotiate a settlement with Dr. Butterfield. The negotiated settlement involved acceptance by Dr. Rich of a Butterfield license in exchange for payment of a royalty of \$50.00 per month for the life of Butterfield's U.S. patent. This amount is somewhat less than half the royalty currently being paid to Plastic Contact Lens Company, and does not involve any accounting as to sales volume, so was considered quite attractive at the time. This license was executed on October 19, 1962, and a consent judgment was entered in Civil Action 62-393 on October 23, 1962. For your information, photocopies of this Patent License Agreement, the Consent Judgment and the accompanying Stipulation are enclosed.

In view of the considerable delay between the Plastic Contact Lens Company settlement with Dr. Butterfield and the offer of indemnity to Plastic Contact Lens Company licensees by your letter of December 10, 1962, and in further view of the reliance by Rich-Tint upon the actions of Plastic Contact Lens Company in not otherwise protecting its licensees from suit by Dr. Butterfield during the time Dr. Butterfield was actively negotiating with and filed suit against Rich-Tint Corporation, considerable detriment has resulted to Rich-Tint as com-

Mr. Irwin Panter Panter, Nelson, Rothstein and Albert Page 3 February 1, 1963

pared with other Plastic Contact Lens Company licensees, in that other licensees of Plastic Contact Lens Company can now be indemnified against Butterfield claims, while Rich-Tint remains obligated to pay Butterfield the stipulated royalty.

Rich-Tint Corporation should not be placed in a worse position than other Plastic Contact Lens Company licensees, simply because it happened to be the first of the several concerns threatened by Butterfield to be sued after the Butterfield-Plastic Contact Lens Company settlement. In view of the delayed offer of indemnity by Plastic Contact Lens Company, and unless there is like compensation as to a previously negotiated settlement of infringement litigation, as in Rich-Tint's case, an inequity among Plastic Lens Company licensees results. This inequity among licensees is of itself possibly construable as impairing licensed competition and accordingly should be of vital concern to you.

To rectify the circumstance in which Rich-Tint Corporation now finds itself, we ask that you consider the possibility of compensating Rich-Tint to the extent of indemnifying it for the cost of its settlement with Dr. Butterfield, in the same manner as if the settlement had been made under your indemnity agreement. In other words, the Plastic Contact Lens Company indemnity offer (subparagraph 2b of the indemnity agreement) should properly cover obligations arising from previously negotiated settlements of Butterfield infringement suits.

To duly compensate Rich-Tint under the circumstances, it is suggested that Rich-Tint be authorized to

credit against the royalties payable by it each month to Plastic Contact Lens Company an amount equal to 85% of the \$50.00 per month royalty payable to Dr. Butterfield; namely, \$42.50 per month.

Should you wish to have additional information with regard to the Butterfield vs. Rich-Tint Corporation suit, or as to the circumstances surrounding the Butterfield-Rich negotiations, please so advise.

Sincerely, MATHIS AND GRAYBEAL By John O. Graybeal

JOG:t Encls.

cc: Dr. A. R. Rich

(Marginal comments and underlining omitted)

MAJOR ISSUES FROM THE PRE-TRIAL ORDER

(R. 44-76, at pp. 71-72)

Factual Issues Based upon Plaintiff's Claims and Contentions:

Issue No. 1. Has defendant committed any of the acts, omissions or conduct claimed in plaintiff's claims and contentions?

Unfair Competition Issue:

Issue No. 2. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute unfair competition by defendant against plaintiff?

Contract and Business Interference Issue:

Issue No. 3. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute actionable interference or attempted interference by defendant in plaintiff's contractual relations with his licensees, or actionable interference by defendant with plaintiff's legitimate business interests and expectations in obtaining new licensees?

Contractual Issue:

Issue No. 4. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute a breach or breaches by defendant of either the implied or express terms of the consent judgment, stipulation and settlement agreement between plaintiff and defendant in the prior action?

Antitrust Issue:

Issue No. 5. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute an illegal attempt to violate or a violation of the Antitrust Laws of the United States against the creation of monopolies, restraints on trade and restraints on competition in interstate commerce of which plaintiff is entitled to complain?

Miscellaneous Wrongs Issue:

Issue No. 6. If committed do any of such acts, omissions or conduct claimed or contended for by plaintiff in any other manner violate the legal or equitable rights of plaintiff?

THE PRESIDENT OF PLASTIC TESTIFIED THAT BUTTERFIELD'S INVENTION WAS INOPERATIVE AND USELESS

Plastic's policy to assert in the trade that the Butter-field invention is inoperative and useless was clearly established in the testimony of Newton K. Wesley, President of Plastic, given in his deposition (Ex. 12), from which the following excerpts are quoted:

"Q. (By Mr. Mason) Dr Wesley, you, as the president of Plastic, have had occasions to discuss and have discussed the Tuohy and Butterfield patents with the trade and with your licensees, haven't you?

"A. Yes.

"Q. Have you told any of them that if they made corneal contact lenses of any sort they infringe the Tuohy patent unless they have a license under it?

"A. Yes." (Ex. 12, p. 72)

* * * * *

"Q. As I remember, your testimony this morning, if I understood it correctly, was that the Butterfield patent just won't work; is that right?

"A. Well, we figure it is an inoperable patent." (Ex. 12, p. 111)

* * * * *

- "Q. But as I understand it, it is still the view of Plastic and its policy to so announce, whenever it is so asked, that the Butterfield patent just will not work when converted into a lens? * * *
- "Q. (By Mr. Mason) Now, regardless of whether or not you have had that question posed to you by a licensee or prospective licensee, is it

Plastic's policy that if the question were asked it would so reply that it was an inoperative patent? "A. Yes." (Ex. 12, pp. 112-114)





No. 20208 IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

CALIFORNIA AIRMOTIVE CORPORATION,

Appellant.

vs.

IRVING I. BASS, Trustee of the Estate of STANDARD AIRWAYS, INC., Bankrupt,

Appellee.

On Appeal From the United States District Court for the Southern District of California, Central Division.

BRIEF FOR APPELLEE.

FLAXMAN, COLEMAN, GORMAN & ROSOFF, By Howard L. Rosoff, 416 West Eighth Street, Los Angeles, Calif. 90014,

Attorneys for Appellee.

CEP 1 0 1965

FRANK H. SCHWID, CLERK



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IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

CALIFORNIA AIRMOTIVE CORPORATION,

Appellant,

US.

IRVING I. Bass, Trustee of the Estate of Standard Airways, Inc., Bankrupt,

Appellee.

On Appeal From the United States District Court for the Southern District of California, Central Division.

BRIEF FOR APPELLEE.

Jurisdictional Statement.

The Jurisdictional Statement as set forth in the Brief for Appellant is adopted and accepted by Appellee.

Statement of the Case.

Appellee agrees with the Statement of the Case as set forth in the Brief for Appellant and adopts same subject to the comments and corrections hereinafter set forth.

Appellant's Statement of the Case citing Trustee's Exhibit 1, page 19 attributes to the Bankrupt the as-

sertion that it could not continue in business if the aircraft were repossessed (Brief for Appellants, p. 2). The assertion referred to at the cited page is, in fact, an opinion of the Appellant and not a statement of the Bankrupt.

Appellant's Statement of the Case creates an inference that the valuation placed on the aircraft was greatly in error by use of the word "arbitrary" (Brief for Appellant, p. 2). The testimony at its strongest merely indicates that the benefit of the doubt was given the Bankrupt although Appellant felt the aircraft were not worth the figure agreed on [Tr. Vol. 1, p. 11].

ARGUMENT.

I.

The Transfer of Two Aircraft From Standard Airways to California Airmotive Corporation Was Preferential and Voidable Pursuant to the Bankruptcy Act.

The issue here involved is whether or not a present consideration was given in return for the transfer by the Bankrupt to Appellant of its equity in two aircraft.

The entire net equity of the two aircraft, the sum of \$24,565.14, was applied by Appellant to the open account in the name of the Bankrupt [Trustee's Ex. 1, p. 17; Trustee's Ex. 1, pp. 29-30]. In so doing, the Bankrupt's account, an antecedent debt, was reduced by \$24,565.14 [Trustee's Ex. 1, p. 22]. No book entry was made to indicate that this transfer was in consideration for forebearance of Appellant's right to repossess the aircraft nor was any part of the net equity applied to or charged against such consideration. Additionally, no part of said net equity was appropriated for or applied against a "pre-paid" account for present or future use of the aircraft [Trustee's Ex. 1, p. 35]. Consequently, the total amount of net equity, as indicated by the record, was applied by a credit memo to the antecedent obligation represented by the open account of the Bankrupt [Trustee's Ex. 1, p. 17].

Although a transfer is made by a Bankrupt in order to secure subsequent advances as well as antecedent debts, the transfer is not deprived of its preferential character to the extent of the security which is applied to the pre-existing debts, 3 *Collier on Bankruptcy*, 855, 14th Ed.

It would, therefore, appear that even if the consideration alleged by Appellant was present (which is not conceded by Appellee) Appellant would still not be able to argue successfully that the transfer was not preferential due to the fact that no part of the net equity was applied to this alleged other consideration and the total amount of the equity was, in fact, applied to the antecedent debt of the Bankrupt.

II.

That the Referee Did Not Abuse His Discretion When He Denied Appellant's Motion to Reopen the Hearing to Offer Evidence of the Value of the Aircraft Which Were Transferred.

The entire record [Tr. 1, Vol. 1] clearly indicates that Appellant was given the opportunity to present any and all proper evidence it so desired on the date of hearing of this matter. No restriction as to the scope of the hearing was placed upon Appellant nor did Appellant make any request for a further hearing or continuance upon the question of valuation. The sole basis for Appellant's motion was that it had failed to put on its evidence with regard to value on the date of hearing [R. 25]. There is no showing of excusable neglect, surprise, newly discovered evidence, or extraordinary circumstances. Certainly, all that Appellant was requesting was a "second day in court" due to the fact that it had been unsuccessful on its "first day in court." To sustain Appellant's position would be tantamount to saying that a trial is never over because, even after the Judge has ruled, further evidence can be given so long as the written order has not yet been entered. Such a determination would remove from the Judge any power of discretion and would allow a party to withhold evidence until a ruling has been made and then, if necessary, move to allow evidence with regard to those areas in which such party failed to carry its burden of proof. This certainly cannot be the intention of the Legislature or the Judiciary.

Appellant argues that Rule 60 of the Federal Rules of Civil Procedure applies only after an Order or Judgment has been entered but does not cite any authority for the allowance of a motion to reopen prior to entry of judgment. The Federal Rules of Civil Procedure provide for the reopening of a case to take further testimony under Rules 59 and 60. Both of these Rules relate to motions which are made after entry of judgment. If Appellant is correct, that those Rules do not apply to our situation since a written Order has not been entered, it would appear that there is no authority to support the motion made by Appellant and, for that reason alone, same should have been denied.

Even if Appellant's motion was properly made and thereby properly before the Court, the record clearly indicates that there was no abuse of discretion by the Referee in denying said motion [Tr. Vol. 2]. Discretion to reopen a case for the purpose of taking further testimony should be exercised only where circumstances show justification and the failure of a party to call an available witness to meet issues raised at the trial does not justify the reopening of a case after there has been a decision on the merits. Eastern Airlines v. United States, 110 F. Supp. 499.

III.

The Findings of Fact of the Referee Are Not Clearly Erroneous and Should Not Be Set Aside.

Findings of Fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses, *Federal Rules of Civil Procedure*, Rule 52(a).

The mere fact that another court might give facts a different construction or resolve ambiguities differently than the trial court does not make the findings of fact clearly erroneous. *United States v. National Association of Real Estate Bds.*, 339 U.S. 485 (90 S. Ct. 711). This rule is true even if the evidence would support either conclusion. *United States v. Yellow Cab Co.*, 338 U.S. 338 (70 S. Ct. 177).

A finding of fact is clearly erroneous when, despite evidence to support the finding, the reviewing court, based on the entire evidence, is left with a definite and firm conviction that a mistake has been committed. *Alaska Freight Lines v. Harry*, 220 F. 2d 272.

The record, more than substantially, supports the findings made by the Referee.

The record reflects the existence of an open account and the granting of credits upon said account in an amount equal to the full equity of the Bankrupt in the aircraft transferred to Appellant [Trustee's Ex. 1, pp. 17, 22, 23, 29]. There is a total absence of any ref-

erence to an account on Appellant's books representing "pre-paid income" or "other income" having received the benefit of this transfer. Certainly, if the antecedent debt was not to be paid by this transfer, the credit would have gone somewhere other than the open account which represented a past due unsecured obligation.

There can be no question that the findings of the Referee are substantially supported by the evidence.

Conclusion.

For the reasons stated above, it is respectfully submitted that the Order of the District Court affirming the Referee's Order be affirmed.

FLAXMAN, COLEMAN, GORMAN & ROSOFF,
By Howard L. Rosoff,
Attorneys for Appellee.

September 10th, 1965.



Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

HOWARD L. ROSOFF



APPENDIX A.

Table of Exhibits.

Exhibit	Record page	Transcript page
Respondent's Exhibit A	71	Vol. I, p. 17
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No. 20,204

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

In the Matter of

DANILO A. MAYORGA,

Debtor.

Appeal From the Judgment of the United States District Court for the Northern District of California Southern Division

Honorable Alfonso J. Zirpoli, Judge.

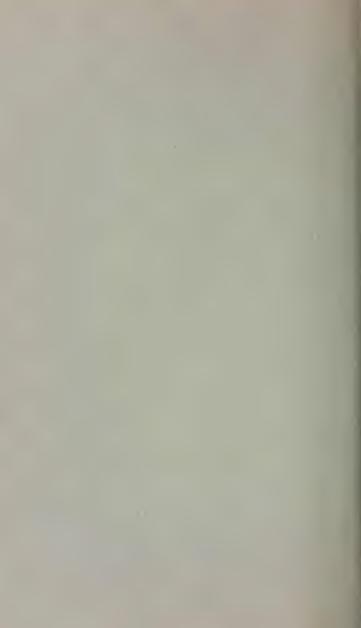
BRIEF OF AMICUS CURIAE.

SULMEYER AND KUPETZ,
408 South Spring Street,
Los Angeles, Calif. 90013,
Amicus Curiae.

FILED

OCT 14 1965

FRANK H. SCHMID, CLER



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No. 20,204

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

In the Matter of

DANILO A. MAYORGA,

Debtor.

Appeal From the Judgment of the United States District
Court for the Northern District of California
Southern Division

Honorable Alfonso J. Zirpoli, Judge.

BRIEF OF AMICUS CURIAE.

I.

Introduction.

The matter on appeal involves the question of whether or not a wage earner plan of extension under Chapter XIII of the Bankruptcy Act may be confirmed where the Debtor has, in a bankruptcy proceeding commenced within six years prior to the filing of the wage earner proceeding under Chapter XIII, received a discharge in bankruptcy.

A stipulation has been filed with the Court for this appearance of *amicus curiae* and an order was made granting time for the filing of this *amicus curiae* brief.

II.

Relevant Statutory Provisions.

The problem involved here is to construe the language of the statute so as to give effect to the intent of Congress. (*United States v. American Trucking Assns.* (1940), 310 U.S. 534, 60 S. Ct. 1059, 84 L. Ed. 1345.) The relevant statutory provisions are as follows:

Bankruptcy Act Section 14(c)(5), (11 U.S.C. 32):

"The court shall grant the discharge unless satisfied that the bankrupt has (5) in a proceeding under this Act commenced within six years prior to the date of the filing of the petition in bankruptcy had been granted a discharge, or had a composition or an arrangement by way of composition or a wage earner's plan by way of composition confirmed under this Act;"

Bankruptcy Act Section 602 (11 U.S.C. 1002):

"the provisions of Chapters I to VII inclusive, of this Act shall, insofar as they are not inconsistent or in conflict with the provisions of this chapter, apply in proceedings under this chapter: Provided, however, That subsection f of section 70 shall not apply in such proceedings unless an order shall be entered directing that bankruptcy be proceeded with pursuant to the provisions of Chapters I to VII, inclusive. For the purposes of such application, provisions relating to 'bankrupts' shall be deemed to relate also to 'debtors,' and 'bankruptcy proceedings' or 'proceedings in bankruptcy' shall be deemed to include proceedings under this chapter. For the purposes of such application the date of the filing of the petition in bankruptcy shall be taken to be the date of the filing of an original

petition under section 622 of this Act, and the date of adjudication shall be taken to be the date of the filing of the petition under section 621 or 622 of this Act except where an adjudication had previously been entered."

Bankruptcy Act section 656(a)(3) (11 U.S.C. 1056 (a)(3)):

"The court shall confirm a plan if satisfied that (3) the debtor has not been guilty of any of the acts or failed to perform any of the duties which would be a bar to the discharge of the bankrupt;"

Bankruptcy Act Section 660 (11 U.S.C. 1060):

"Upon compliance by the debtor with the provisions of the plan and upon completion of all payments to be made thereunder, the court shall enter an order discharging the debtor from all his debts and liabilities provided for by the plan, but excluding such debts as are not dischargeable under section 17 of this Act held by creditors who have not accepted the plan."

Bankruptcy Act 661 (11 U.S.C. 1061):

"If at the expiration of three years after the confirmation of a plan the debtor has not completed his payments thereunder, the court may nevertheless, upon the application of the debtor and after hearing upon notice, if satisfied that the failure of the debtor to complete his payments was due to circumstances for which he could not be justly held accountable, enter an order discharging the debtor from all his debts and liabilities provided for by the plan, but excluding such debts as are not dischargeable under section 17 of this Act held by creditors who have not accepted the plan."

III.

The Relevant Case Authority.

Although the cases are hopelessly divided on the issue presently before this Court, the clearest lineup of cases on either side is presented by the Court of Appeals for the Sixth Circuit in *In re Perry* (CA 6th, 1965), 340 F. 2d 588. The cases listed as supporting *Perry* in concluding that confirmation of a wage earner extension may not be had where the Debtor received a discharge in a bankruptcy filed within six years prior to the filing of the Chapter XIII proceeding are:

In re Schlageter (CA 3, 1963), 319 F. 2d 821; In re Jensen (CA 7, 1952), 200 F. 2d 58;

In re Fontan (S.D. Miss. 1964), 227 F. Supp. 973;

In re Nicholson (D.Ore. 1963), 244 F. Supp. 773;

In re Bingham (D.Kan. 1960), 190 F. Supp. 219.

Listed by *In re Perry* as supporting the proposition that confirmation can be had in such a case as this are the following decisions:

Edins v. Helzberg's Diamond Shops, Inc. (CA 10, 1963), 315 F. 2d 223;

Fishman v. Verlin (CA 2, 1958), 225 F. 2d 682; In re Sharp (W.D.Mo. 1962), 205 F. Supp. 786; In re Mahaley (S.D.Cal. 1960), 187 F. Supp. 229:

In re Verlin (E.D.N.Y. 1957), 148 F. Supp. 660.

To this listing should be added, in support of the Debtor's position, *In re Holmes* (CA 10, 1962), 309 F. 2d 748. It should also be noted that the matter of *In re Jensen* cited in support of the decision by the Court of Appeals in *In re Perry* involves Chapter XI proceedings, rather than Chapter XIII proceedings, and that in Chapter XI proceedings the order of confirmation itself constitutes a discharge, which is not the case in Chapter XIII. Compare Section 371 of the Bankruptcy Act (11 U.S.C. 771) with Section 660 of the Bankruptcy Act (11 U.S.C. 1060).

The Court of Appeals in In re Perry has not only chosen to disagree with the Tenth and Second Circuits, but it has also apparently overlooked its own prior decision in In re Goldberg (CCA 6h Cir. 1931), 53 F. 2d 454, in which the Court held that confirmation of a composition under the old Section 12, predecessor of our present Chapter XIII, does not bar a later confirmation of a composition under Section 12 within six years of the former. Section 12(d) (11 U.S.C. section 30(d)) as it existed contained a provision similar to that of Section 656 in providing "The judge shall confirm a composition if satisfied . . . (2) the bankrupt has not been guilty of any of the acts or failed to perform any of the duties which would be a bar to his discharge; . . ." The Court of Appeals for the Sixth Circuit in Goldberg stated with reference to this provision at page 455:

"It is not difficult to determine what 'acts' and 'duties were referred to in clause 2. They are those acts and duties found in clauses (1) and (2) of section 14(b) of the original act. . . . By its provision, a discharge is denied if the bankrupt has

committed any of the offenses or failed to perform any of the duties specified in its numbered clauses. . . . Section 12(d) (2) denies composition upon the same grounds; and that is, if the bankrupt has been guilty of any of the acts or failed to perform any of the duties specified in section 14(b) as it now stands, which would be a bar to his discharge. If appellant is denied confirmation of the composition he has made with his creditors, it can only be because he is guilty of the offense of applying for such an order within six years after he has been granted a discharge in bankruptcy.' "If the argument is sound, it follows that appellant is denied composition because he is guilty of an offense not explicitly denounced, and having no firmer basis than judicial construction. We do not think such a result is justified by any legislative policy of which we are aware. The word 'guilty' used in clause (2) paragraph (d), section 12, denotes intentional wrongdoing. . . ."

Further, at page 457:

"Upon full consideration, we cannot say that until there shall be more explicit legislative pronouncement, that congress had intended to deny a bankrupt and his creditors the privilege of more than one beneficial good faith settlement within any six year period. The reason for such a denial is not apparent. It has been uniformly held that the bankrupt is entitled to a liberal construction of the Act in his favor. . . . There is nothing to indicate that congress ever considered such a settlement as a public evil or that it was ever confronted with the peculiar question. Judged by the reported decisions this is its first appearance in the courts."

It is unfortunate that the Sixth Circuit in *In re Perry* did not consider or dispose of its prior decision in *In re Goldberg*.

Professor Moore, one of the country's outstanding authorities on bankruptcy and insolvency proceedings, stated in Moore's Bankruptcy Manual (1939) at page 779:

"It was pointed out in connection with section 656 (a) that the Act does not preclude the confirmation of a plan although the debtor has been granted a discharge or had an arrangement confirmed within six years. . . . Section 14(c)(5) precludes a court from granting a discharge to a bankrupt who 'has within six years prior to bankruptcy been granted a discharge, or had a composition or an arrangement by way of composition or a wage earner plan by way of composition confirmed under this Act.' Is this section applicable to Chapter XIII proceedings? It is believed that the answer is in the negative. It should be noted that while sections 660 and 661 make section 17 (Debts Not Affected By a Discharge) expressly applicable to the extent stated therein, they do not refer to the companion section 14. (Discharges, when Granted Further, the policy underlying section 14(c)(5)supra of course does not seem applicable to Chapter XIII proceedings."

IV.

Argument.

The rationale of the cases followed by the District Court herein, the Court of Appeals for the Sixth Circuit and the Court of Appeals for the Third Circuit is that Section 656(a), 660 and 661 of the Bankruptcy Act "are in pari materia and must be construed together", and that when so construed, the "plain meaning" of the statute is clear and prevents confirmation.

The rationale of the Court of Appeals of the Tenth Circuit, the Second Circuit, and the Southern District of California is that, in addition to the foregoing sections, there is Section 602, which is in pari materia with Section 656(a), Sections 660 and 661, and Section 14(c)(5). This latter line of cases, utilizing, in part, Section 602, holds that, the language of the statute is not so clear as to prevent further judicial inquiry as to the legislative policy and intent. Further, they hold, that upon making such judicial investigation, the legislative intent appears to favor confirmation in the situation here presented. They hold that the provisions of Section 14(c)(5) are inconsistent with and do not apply to bar confirmation (as distinguished from discharge) of a plan of extension only under Chapter XIII. These cases talk in terms of ascertaining Congressional policy and intent to prevent repeated avoidance of debt rather than payment of debt under a plan of extension. These cases also talk in terms of the language "guilty of any of the acts" or "failure to perform any of the duties" as being inapplicable to a prior discharge in bankruptcy. These cases look to the Congressional record, the Committee Reports and the purpose and policy behind Sections 14(c)(5), 656(3) and 602. Upon examination, this line of cases concludes implicitly that, had Congress considered the problem, its solution would have been to allow confirmation of a plan by way of extension, even though a discharge is received in a bankruptcy proceeding filed within six years prior to the wage earner proceeding.

Therefore, the question before this Court ultimately comes down to this: Is the language of the statute so clear as to require an automatic application of the "plain meaning" rule of legislative interpretation? As the Supreme Court stated in *Caminetti v. United States* (1917), 242 U.S. 470, 37 S. Ct. 192, 61 L. Ed. 442:

"Where the language is plain and admits of no more than one meaning the duty of interpretation does not arise and the rules which are to aid doubtful meanings need no discussion."

If this Court finds such a plain, unambiguous meaning from the language of the statute, then the Court will follow the lead of the Sixth Circuit, and the Third Circuit, and deny confirmation herein.

If the Court feels that there is an element of doubt in the language, it will proceed further to determine the purpose and intent of Congress. The general principles and concepts to be followed by the Court in determining that intent will now be briefly considered.

In the case of *The River Wear Commissioners v. Adamson* (House of Lords), (1887) Law Reports, 2 Appeals Cases 743, reference was made to the earlier "Heydon's Case" wherein Lord Coke is quoted as follows:

"that for the sure and true interpretation of all statutes in general (be they penal or beneficial, restrictive or enlarging of the Common Law) four things are to be discerned and considered: 1st. What was the Common Law before the Act? 2nd. What was the mischief and effect for which the Common Law did not provide? 3rd. What remedy the Parliament hath resolved and appointed to cure the disease of the Commonwealth? And 4th. The true reason of the remedy; and then the office of all the Judges is always to make such construction as shall suppress the mischief and advance the remedy."

It was further stated by Lord Blackburn, in the 'Adamson case that.

"we are to take the whole statute together, and construe it all together, giving the words their ordinary signification, unless when so applied they produce an inconsistency, or an absurdity or inconvenience so great as to convince the Court that the intention could not have been to use them in their ordinary signification, and to justify the Court in putting on them some other signification, which, though less proper, is one which the Court thinks the words will bear."

We feel the correct principle to be applied in this case was stated clearly by Mr. Justice McKenna in his dissent in *Caminetti v. United States* (1917), 242 U.S. 470, 37 S. Ct. 192, 61 L. Ed. 442, when he stated:

"Undoubtedly in the investigation of the meaning of a statute we resort first to its words, and when clear they are decisive. The principle has attractive and seemingly disposing simplicity, but that it is not easy of application or, at least, encounters other principles, many cases demonstrate. The words of a statute may be uncertain in their signification or in their application. If the words be ambiguous, the problem they present is to be resolved by their definitions; the subject-matter and the lexicons become our guides. But here, even, we are not exempt from putting ourselves in the place of the legislators. If the words be clear in meaning but the objects to which they are addressed be uncertain, the problem then is to determine the uncertainty. And for this a realization of conditions that provoked the statute must inform our judgment. Let us apply these observations to the present case."

It is based upon this principle that the *Maheley, Edins, Verlin* line of cases have resorted to the legislative history and purpose to show that what Congress intended was to prevent repeated avoidance of debts and that no purpose was shown to prevent repeated extensions to pay debts in full. On the contrary, the *Maheley* line of cases have demonstrated the Congressional intent to encourage rehabilitation proceedings as an alternative to bankruptcy. These cases recognize the difficulty of statutory construction. However, they apply, without explicitly so stating, the rule adopted by the Supreme Court of the United States in *Holy Trinity Church v. United States* (1892), 143 U.S. 452, 12 S. Ct. 511, 36 L. Ed. 226 that:

"It is a familiar rule, that a thing may be within the letter of the statute and yet not within the statute, because not within its spirit, nor within the intention of its makers. This has been often asserted, and the reports are full of cases illustrating its application. This is not the substitution of the will of the judge for that of the legislator, for frequently words of general meaning are used in a statute, words broad enough to include an act in question, and yet a consideration of the whole legislation, or of the circumstances surrounding its enactment, or of the absurd results which follow from giving such broad meaning to the words, makes it unreasonable to believe that the legislator intended to include the particular act."

In United States v. Kirby, 7 Wall. 482, 486, 19 L. Ed. 278, it is stated:

"All laws should receive a sensible construction. General terms should be so limited in their application as not to lead to injustice, oppression or an absurd consequence. It will always, therefore, be presumed that the legislature intended exceptions to its language which would avoid results of this character. The reason of the law in such cases should prevail over its letter."

Each of the cases following Maheley have sought legislative intent from legislative history, legislative policy, the evils sought to be eradicated, etc., and have concluded that it was not the intent of Congress to prevent confirmation of an extension plan because of a discharge received in a prior bankruptcy proceeding brought within six years.

V.

Conclusion.

The existence of a split of authorities between the Second and Tenth Circuits on the one hand and the Third and Sixth on the other, confirms that the language of the statute is not free from ambiguity. If this Court finds ambiguity and doubt, then the policy sought to be achieved by Congress and the probable intent of Congress is what must be ascertained to resolve the instant case. On such an approach, the decision of the lower court herein must be reversed and confirmation of the plan of extension allowed. That legislative changes are pending to clarify the ambiguity in the statute and to make clear that a discharge in bankruptcy should not bar confirmation of an extension plan would seem to reinforce this conclusion.

Dated, Los Angeles, California. September 28, 1965.

> Sulmeyer and Kupetz, By Irving Sulmeyer, Amicus Curiae.



Certificate.

I certify that, in connection with the preparation of this brief. I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

IRVING SULMEYER.



No. 20,204

IN THE

United States Court of Appeals For the Ninth Circuit

In the Matter of
Danilo A. Mayorga,
Del

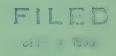
Appeal from the Judgment of the United States District Court for the Northern District of California, Southern Division Honorable Alfonso J. Zirpoli, Judge

APPELLANT'S OPENING BRIEF

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No. 20,204

IN THE

United States Court of Appeals For the Ninth Circuit

In the Matter of Danilo A. Mayorga,

Debtor.

Appeal from the Judgment of the United States District Court for the Northern District of California, Southern Division

Honorable Alfonso J. Zirpoli, Judge

APPELLANT'S OPENING BRIEF

A. INTRODUCTION

1. PLEADINGS

A Petition for confirmation of a Wage Earner's Plan under Chapter XIII of the Bankruptcy Act was filed on December 22, 1964.

On January 18, 1965, Hon. Lynn J. Gillard, Referee in Bankruptcy, made an order denying confirmation, and on January 21, 1965, filed his Opinion and Order confirming the earlier order. (See p. 1 of the Record.)

On February 1, 1965, appellant filed a Petition for Review (See p. 5 of the Record), and on February 2, 1965, Referee Gillard filed his Certificate on Petition for Review. (See p. 14 of the Record.)

On May 5, 1965, Hon. Alfonso J. Zirpoli, Judge of the District Court, made his Order affirming the Order of Referee Gillard (See p. 32 of the Record), and the Notice of Appeal was filed on May 19, 1965. (See p. 34 of the Record.)

Jurisdiction is granted to the District Court by Section 39c of the Bankruptcy Act (USC, Title 11, Section 67c), which provides that:

"A person aggrieved by an order of a referee may, within ten days after the entry thereof... file with the referee a petition for review of such order by a judge..."

The Court of Appeals is given jurisdiction by Section 24 of the Bankruptcy Act (USC, Title 11, Section 47), which provides that:

- "(a) The United States Courts of appeals... are hereby invested with appellate jurisdiction from the several courts of bankruptcy in their respective jurisdictions in proceedings in bankruptcy...
- "(b) Such appellate jurisdiction shall be exercised by appeal and in the form and manner of an appeal."

The Petition for Review is set forth on page 5 of the Record.

2. STATEMENT OF FACTS

On June 13, 1960, the appellant (as Jose Danilo Mayorga) filed a voluntary petition in bankruptcy in this Court, Bankruptcy Proceeding No. 58137; he received his discharge on June 1, 1961.

On December 22, 1964, Mayorga filed his petition for relief under Chapter XIII of the Bankruptcy Act, in a proceeding in which he proposed to pay all of his creditors in full. At the first meeting of creditors held on January 18, 1965, the Referee found that the plan was feasible (i.e., that the debtor's income was sufficient to make the monthly payments proposed by his plan and that such payments, if continued as proposed, would pay his creditors in full within three years) but denied confirmation on the ground that Sections 656 [11 U.S.C. Section 1056] and 14(c)(5) [11 U.S.C. Section 32] of the Bankruptcy Act prohibited the same since the debtor had received a discharge in a proceeding under the Bankruptcy Act commenced within six years of filing the petition.

3. STATEMENT OF QUESTION INVOLVED

The question presented is whether a petitioner under Chapter XIII of the Bankruptcy Act who has, within six years of filing his petition, commenced another proceeding under the Bankruptcy Act and received thereunder a discharge, may obtain confirmation of his proposed plan under Chapter XIII, if the plan requests merely an extension of time in which

to pay his debts in full, and does not seek a composition with his creditors.

4. SPECIFICATION OF ERRORS

There is only one error to be urged on this appeal and that is based upon the ruling of the District Court that Section 656 of the Bankruptcy Act [11 U.S.C., Section 1056] and Section 14(c)(5) of the Bankruptcy Act [11 U.S.C., Section 32(c)(5)] require denial of confirmation in such a case; it is the position of appellant that if the plan meets the other requirements of the Act, there is no necessity for denial because of a prior petition in bankruptcy with respect to which a discharge has been granted.

B. ARGUMENT

 SECTION 14(c)(5) OF THE BANKRUPTCY ACT [11 U.S.C. 32(c)(5)] DOES NOT BY ITS TERMS PROHIBIT CONFIRMA-TION OF THE PLAN.

Section 14(c)(5) of the Bankruptcy Act provides that the court shall grant a discharge upon a petition in bankruptcy:

"... unless satisfied that the bankrupt... has in a proceeding under this act commenced within six years prior to that date of the filing of the petition in bankruptcy been granted a discharge."

The argument is made that in a proceeding under Chapter XIII of the Bankruptcy Act the court could not grant a discharge, and that therefore the Wage Earner's Plan proposed in such a proceeding may not be confirmed. But this section refers to the filing of a petition in bankruptcy, and not necessarily to the filing of any other petition under the Bankruptcy Act. A petition for a Wage Earner's Plan under Chapter XIII of the Act is not a petition in bankruptcy, and if it seeks merely an extension of time within which the debtor may pay his obligations, it does not even necessarily, as will be shown, necessitate a discharge.

The filing of a petition for an extension under Chapter XIII appears not to be a petition in bank-ruptey within the meaning of Section 14(e)(5), because the debtor seeks the benefits of Chapter XIII in order to aid him in paying all of his bills in full, and not to be discharged from paying them.

That Congress recognized this distinction is apparent from a consideration of House of Representatives Report No. 1409, (75th Congress, First Session [1938]), reporting the Chandler Act of 1938, which created both Wage Earner's Plans and the present form of Section 14(c)(5). That report, in discussing proposed Section 14(c)(5) said:

"... it may be thought that this provision should be expanded to constitute the confirmation of an extension ... but in the case of an extension, it is contemplated that debts shall be paid in full ..."

A number of cases have held that the difference between a petition seeking an extension, and one seeking a composition or discharge, are so vital that a prohibition in one instance would not act as a bar in the other. An early case making this distinction is *In re Thompson*, 51 Fed. Supp. 12 (District Court, Western District, Virginia [1943]). This case considered the Congressional intent expressed in House of Representatives' Report No. 1409 (supra), and allowed the debtor to file a voluntary petition only three years after his having filed a petition for an extension under Chapter XIII.

This appears also to be the first case in which the Court considered the social advantages of allowing the confirmation of a plan under these circumstances; in holding that a discharge pursuant to the first petition was not a bar to confirmation of the second, the Court said:

"It is to be remembered that a bar to a second discharge in bankruptey within six years had a definite and desirable purpose. It was to prevent the creation of a class of habitual bankrupts, to prevent debtors from going through bankruptey to escape payment of their debts whenever, and as frequently, as they chose . . . the reasons why a debtor should not be allowed to accomplish the result as frequently as he chooses have no application to the situation where a debtor offers to and does pay his debts in full."

The situation in that case was, of course, the reverse of the Chapter XIII-after-bankruptcy situation, but

a California court found its reasoning persuasive in the earliest recorded decision on this question in this state. In *In re Mahaley, Jr.*, 187 Fed. Supp. 229 (District Court, Southern District of California [1960]) the Court, after referring to the recognized conflict of opinion among the Referees in this matter, holds that Section 14(e)(5) of the Bankruptcy Act does not

"... preclude confirmation of a Wage Earner Plan for an extension only, filed within six years of a discharge in ordinary bankruptcy." [Emphasis supplied].

The Court in this case appreciated the difference between the pro forma discharge contemplated by Section 660 of the Act, and the actual discharge provided for by Section 661.

The former (Bankruptey Act, Section 660, 11 U.S.C. Section 1060) provides that:

"Upon compliance by the debtor with the provisions of the plan, and upon the completion of all payments to be made thereunder, the court shall enter an order discharging the debtor from all his debts and liabilities provided for by the plan..."

The latter (Bankruptcy Act, Section 661, 11 U.S.C. Section 1061) provides that:

"If at the expiration of three years after the confirmation of a plan the debtor has not completed his payments thereunder, the court may nevertheless, upon the application of the debtor and after hearing upon notice... enter an order

discharging the debtor from all of his debts and liabilities provided for by the plan."

Under section 660, the debtor having paid all his bills, the court merely performs a ministerial function in entering a discharge; the debtor actually has no remaining debts at all. Under section 661, the discharge contemplated is similar to that sought in a straight bankruptcy proceeding.

In holding that a debtor under Chapter XIII might not be entitled to the latter form of discharge, although he would certainly be entitled to the former, the Court in *Mahaley* said:

"Relief under Section 661 might, upon timely objection, be denied to any debtor who had received a discharge in bankruptcy within the six-year period."

As a practical matter, there is little chance of the Courts being imposed upon, or being beguiled into granting an undeserved Section 661 discharge, because such a discharge can be granted only "... after hearing upon notice", and any unpaid creditor would, of course, have an opportunity to remind the Court of a prior discharge in bankruptey.

In considering the difference between relief afforded by a composition and that afforded by a discharge, the court said:

"Since a composition contemplates a partial release from a debtor's obligations, confirming a plan for composition within six years of a discharge in ordinary bankruptcy would be tantamount to allowing two 'discharges' within six years. Such a rationale is totally inapplicable in a case where, as here, the debtor is to receive no release until he has satisfied his creditors in full."

 SECTION 14(c)(5) OF THE BANKRUPTCY ACT [11 U.S.C. 32(c)(5)] IS INAPPLICABLE TO PROCEEDINGS UNDER CHAPTER XIII.

Section 602 of the Bankruptcy Act (11 U.S.C., section 1002) holds inapplicable to Chapter XIII proceedings any provisions of Chapters I through VII of the Act which are inconsistent with or conflict with the provisions of Chapter XIII.

The Court in Mahaley said:

"The purposes underlying Section 14(e)(5) are so inconsistent with the purposes underlying relief by extension under Chapter XIII that said section is inapplicable in the instant proceedings."

A case denying confirmation of a Wage Earner's Plan within six years of a prior confirmation is *In re Bingham*, 190 Fed. Supp. 219 (District Court, Kansas [1960]). It is not clear as to the nature of the first wage earner's plan, but it appears to have been a composition.

The Court seems to base its rather vague decision on the supposed danger of habitual use of Chapter XIII proceedings and a lack of interest and possible depreciation of a property that might result during the extension period.

The appeal was dismissed as most because the debtor had paid all creditors before the appeal was heard.

Bingham was not followed by the same court in In re Autry, 204 Fed. Supp. 820 (District Court, Kansas [1962]), which held the first extension plan not a bar to a second filed within six years of the first. The court said that a literal interpretation of Section 14(c)(5) shows that it is to prevent release from indebtedness only, thus recognizing its inapplicability to a case in which only an extension is sought.

The Bingham case was expressly disapproved in In re Sharp, 205 Fed. Supp. 786 (District Court, Western District, Missouri [1962]). That case was identical with the one at bar, and allowed the debtor to have confirmation of his Chapter XIII plan although he had had a discharge in straight bankruptey within six years.

The Court said: "It would do violence to the general purpose of Chapter XIII", to fail to confirm on that ground, and that "debtors should be encouraged to pay debts, not discharge them."

On that rationale, Section 14(c)(5) was held not applicable to Chapter XIII proceedings, on the grounds of the inconsistency specified in section 602 of the Bankruptey Act.

In re Bingham was also overruled by the Circuit Court of Appeals in In re Holmes, 309 Fed. 2d 748 [1962]. In that case, it was held that the inclusion of wage earner's plans by way of composition in section

14(c)(5), and its "noticeable silence" with respect to extensions was "decisively significant".

The Court concludes by saying that the Chapter XIII extension plan "... asserted here does not come within the letter or spirit of the bar of Section 14(c)(5)."

The Holmes case was extended to cover facts as at bar in Edins v. Helzberg's Diamond Shops, Inc., 315 Fed. 2d 223 (Circuit Court of Appeals, 10th District [1963]); the debtor there sought confirmation of a Chapter XIII plan within the period of the six-year rule, and the Court held on authority of Holmes that he could receive confirmation notwithstanding the prior discharge.

SECTION 656 OF THE BANKRUPTCY ACT [11 U.S.C. 1056] DOES NOT PROHIBIT CONFIRMATION OF THE PLAN.

Prior to 1952, Section 366 of the Bankruptcy Act [11 U.S.C. section 766] relating to proceedings under Chapter XI provided that:

"The court shall confirm an arrangement if satisfied that . . . (4) the debtor has not been guilty of any of the acts . . . which would be a bar to the discharge of a bankrupt." [Emphasis supplied]

At that time, Section 656 was identical, except that the words "confirm a plan" were substituted for "confirm an arrangement."

In 1952, Section 656 was changed to read:

"The court shall confirm a plan if satisfied that ... (3) the debtor has not been guilty of any of

the acts which would be a bar to the discharge of the bankrupt." [Emphasis supplied]

(In Collier on Bankruptcy, 1964 Amendments, as well as in most of the cases, this distinction has apparently been missed, because the law is incorrectly quoted as reading "a bankrupt" instead of "the bankrupt".)

At the same time, Section 366 was subjected to substantial revision, but the words "a bankrupt" were not changed to "the bankrupt".

Although no reason for the change is given in committee reports of the amendments, it may be inferred that by the use of the definite article in Section 656, Congress intended to make clearer the requirement that the bar to confirmation provided for by Sections 656 and 14(e)(5) was intended to apply only to those persons who were seeking to escape their debts wholly or in part.

A debtor seeking an extension under Chapter XIII cannot be "the bankrupt" referred to in Section 656. He is a debtor seeking to pay his debts in full, and indeed, usually seeking specifically to avoid becoming a bankrupt.

Thus, whereas Section 366 provides that confirmation may be denied if the debtor has committed any of the acts which will be a bar to the discharge of a bankrupt, whether or not the petitioning debtor is actually a bankrupt, Section 656, by use of the words "the bankrupt" rather than "a bankrupt", requires that

the debtor be in fact the bankrupt, or at least seeking bankrupt relief of discharge or composition. This is not the case where the debtor expects to pay all his creditors in full under an extension.

 RULES RELATING TO PLANS OF ARRANGEMENT UNDER CHAPTER XI ARE NOT APPLICABLE TO WAGE EARNERS' PLANS UNDER CHAPTER XIII.

A number of cases have applied to proceedings under Chapter XIII the same rules which prevail in proceedings under Chapter XI. It is submitted that the same rules do not apply because of the difference in the relief sought and in the remedies provided.

Section 371 of the Bankruptcy Act [11 U.S.C., Section 771] provides, with respect to arrangements under Chapter XI, that "the confirmation of an arrangement shall discharge a debtor from all his unsecured debts and liabilities provided for by the arrangement . . ."

Section 660 of the Bankruptcy Act [11 U.S.C., Section 1060] provides, not that the debtor is discharged upon confirmation of the arrangement, but that "upon compliance by the debtor with the provisions of the plan and upon completion of all payments to be made thereunder, the court shall enter an order discharging the debtor from all his debts and liabilities provided for by the plan . . ."

The crucial difference between the two sections, and between the rationale of arrangements under Chapter XI and plans under Chapter XIII is that in the former, a discharge is granted upon confirmation of the arrangement, and in the latter, there is no discharge until the debtor has complied with all the provisions of the plan and paid all his bills.

We are not now concerned with Section 661 [11 U.S.C., Section 1061] which provides that at the end of three years a debtor may, under certain circumstances, have a discharge even if he has not complied with the plan. That section is an effective method by which the court may control the habitual bankrupt, for it may, at its discretion, refuse a discharge to the non-paying debtor and thus leave the creditors free to pursue him through normal remedies. It is for this reason that the leading case, relating to the filing of an arrangement under Chapter XI within six years of the filing of a Petition in Bankruptcy with respect to which a discharge has been granted, that is, in In re Jensen; People's Finance Co. v. Jensen, 200 Fed. 2d 58 (Circuit Court of Appeals, Seventh Circuit [1952]), is not authority for a situation such as is found in the case at bar.

In that case, the debtor filed the Chapter XIII extension petition but refiled the same plan as a Chapter XI petition, because his income exceeded the maximum allowable under Chapter XIII at that time.

The court refused confirmation primarily because the debtor pledged future wages under the plan, allowable under Chapter XIII but not allowable under Chapter XI. However, it also held that the discharge provisions in Section 371 [11 U.S.C., section 771] brought the case within Section 14(c)(5) and confirmation therefore barred because the petition was filed within six years of a discharge in straight bankruptey.

The majority went on to note that Chapter XI contains no such provision as Section 660 in Chapter XIII, thus recognizing that confirmation has a different effect under the two chapters, and implying, though not holding, that the result might have been different had Chapter XI contained a provision similar to Section 660.

The dissent in *Jensen* shows that the reason for the six-year rule is to prevent repeated discharges of debtors by payment of only a small percentage of their debts and that when "... the agreement is to pay the debts in full, the reason for the rule fails."

The Jensen case was criticized and not followed in In re Verlin, 148 Fed. Supp. 660 (Eastern District, New York [1957]), in which a debtor who had filed a Chapter XI extension plan within six years but had made only thirteen percent of the scheduled payments was nevertheless allowed to receive a discharge in involuntary bankruptey.

In affirming this case, the Circuit Court of Appeals, in *Fishman v. Verlin*, 255 Fed. 2d 682 [1958] cited House of Representatives Report No. 1409 (supra), and said, "... especially significant is the distinction between an extension and composition found in the legislative history of the Chandler Act..."

It is submitted that the *Jensen* case is applicable to Chapter XI only and not to Chapter XIII and is questionable authority even within that limited scope.

 CASES IN WHICH CONFIRMATION HAS BEEN DENIED HAVE FAILED TO RECOGNIZE THE SPECIAL NATURE OF RELIEF BY WAY OF EXTENSION.

In In re Schlageter, 319 Fed. 2d 821 (Circuit Court of Appeals, Third Circuit [1963]), a case embodying the same principle as the one at bar, the Court refused to confirm a plan under Chapter XIII in which an extension was sought, because the debtor had received a discharge in bankruptcy within six years.

The court said that Sections 656, 660 and 661 are in pari materia and must be construed together and that discharge is ". . . essential to adequate relief under the statutory scheme." The court also relies on the fact that no judgment may be entered against the debtor during operation of the plan and places great stress on the discharge provisions of Section 661.

It should be noted that the court fails to take into account the discretionary nature of the discharge under Section 661 as an effective safeguard against habitual resort to the Bankruptcy Act.

The court also fails to mention the prior cases of *Autry*, *Sharp*, *Edins*, or *Holmes*, and, in addition, fails to differentiate between a composition and an extension, and the payment-in-full aspect of an extension.

Nevertheless, the case was followed in *In re Nicholson*, 224 Fed. Supp. 772 (District Court, Oregon

[1963]) and in *In re Fontan*, 227 Fed. Supp. 973 (District Court, Eastern District, Mississippi [1964]), which made the same error as *Schlageter* and ignored the distinction between extensions and compositions, and failed to recognize the prerequisites to discharge under Section 661.

In Fontan, the court said:

"No adjudication is contemplated, but it cannot be said that discharge will not follow the execution of an approved plan. It is not a mere deferment or postponement of a debtor's obligations which is requested and will be granted in a proper proceeding."

The court, by these words, seems to confuse composition and extension and treats the latter as though it were not the mere extension of time or deferred time of payment that it actually is.

The most recent case, In re Perry, 340 Fed. 2d 588 (Circuit Court of Appeals, Sixth District [1965]), a case on the same facts as those at bar held that a distinction between extension and composition is "immaterial" and that exemptions should be made by Congress, not the courts. The District Court in the instant case also uses this latter point as decisive.

The court in *In re Perry* did not recognize that the Congress made such an exemption when it created Chapter XIII, as shown by House of Representatives Report No. 1409 (supra). It may be assumed that the Court would have decided differently had the House Report been called to its attention.

C. CONCLUSION

There can be no question but that although relatively few cases touch upon this precise subject, those which do are in hopeless conflict. In the Ninth Circuit there is conflict within the Circuit itself; in the Southern District of California In re Mahaley (supra) was held that there may be confirmation of a plan under Chapter XIII in spite of a discharge in Bankruptcy within six years; in the Northern District of California, the case at bar, with identical facts, was held that there can be no confirmation.

It is submitted that the cases allowing confirmation are the better reasoned and more clearly reflect the intention of the legislators based upon such notes as are available.

It has been shown that neither of the statutes referred to in the Order Affirming the Order of the Referee prohibit confirmation of the Plan, that section 14(c)(5) is not applicable to proceedings under Chapter XIII; that the rules applicable to Chapter XII proceedings ought not to be applied to Chapter XIII proceedings, and that the cases adverse to the position contended for by appellant have failed to appreciate the peculiar nature of the relief sought by a petition for an extension under Chapter XIII.

The danger sought to be prevented by Section 14 (c)(5) of the Bankruptey Act is the creation of an habitual class of bankrupts: extensions under Chapter XIII operate specifically to prevent bankruptey.

By the operation of Section 661, Chapter XIII specifically prevents the habitual use of its provisions by those who do not pay their debts in full.

It is submitted that denial of confirmation in the case at bar would frustrate the intent of Congress that well-meaning wage-earners be able at all times to seek the assistance of the courts in securing an extension in which to pay their bills in full.

Dated, Oakland, California, September 7, 1965.

Ralph Nathanson,
Attorney for Appellant.

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

RALPH NATHANSON.



No. 20201

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

RETAIL CLERKS UNION, LOCAL 324, LOCAL 899, LOCAL 1167, LOCAL 1428 and LOCAL 1442,

Appellants,

-and-

RALPH E. KEMMEDY, Regional Director, Twenty-First Region of the National Labor Relations Board for and on behalf of the NATIONAL LABOR RELATIONS BOARD,

Appellant,

VE.

FOOD EMPLOYERS COUNCIL, INC.,

Appellee.

No. 20201

On Appeal From The United States District Court

For The Southern District Of California,

Central Division

BRIEF FOR APPELLANTS, RETAIL CLERKS UNION, LOCALS 324, 899, 1167, 1428 and 1442.

FILED
JUL 21 1965

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UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

No. 20201

RETAIL CLERKS UNIONS, etc., et al,

Appellants,

and

RALPH E. KENNEDY, etc.,

Appellant,

v.

FOOD EMPLOYERS COUNCIL, INC.,

Appellee.

On Appeal From The United States District Court
For The Southern District Of California,

Central Division

BRIEF FOR CERTAIN APPELLANTS

JURISDICTIONAL STATEMENT

This is an interlocutory appeal from an Order Granting Temporary Injunction entered on June 25, 1965 by the United States

District Court for the Southern District of California, Central

Division, restraining and enjoining Appellants from maintaining,
giving effect to, or enforcing certain bargaining unit work

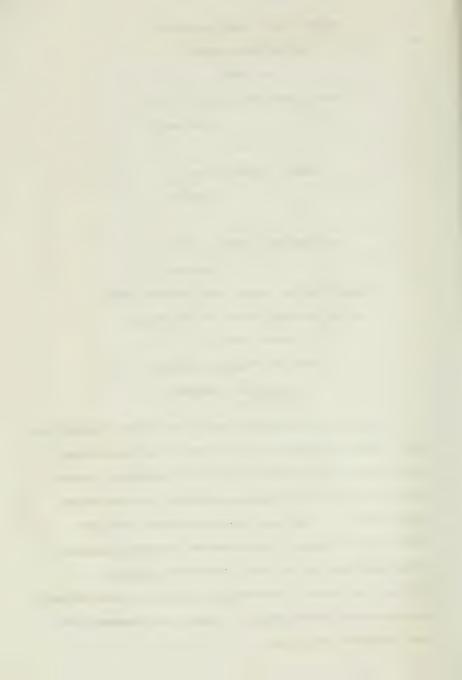
preservation provisions of the collective bargaining agreement

between Appellants and the retail food market Employers,

Appellee, and further restraining Appellants and these Employers

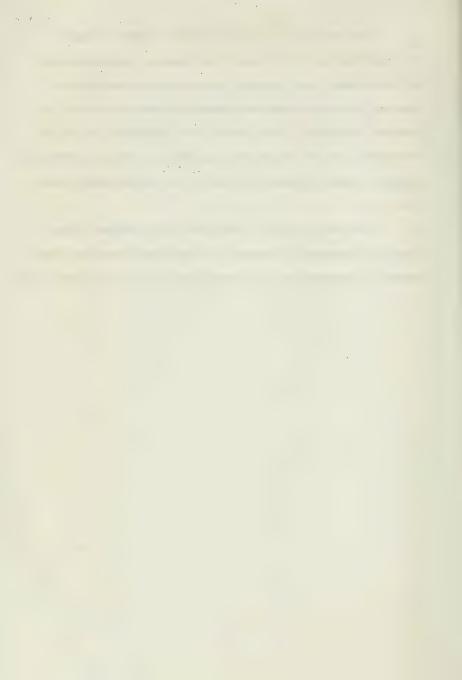
from arbitrating certain disputes related to or connected with

these contractual provisions.



The underlying action was brought by Ralph E. Kennedy, Regional Director of the Twenty-First Region, for and on behalf of the National Labor Relations Board under the authority of Section 10(1) of the Labor-Management Relations Act of 1947, as amended, (29 U.S.C. § 160(1)) based upon allegations that he had reasonable cause to believe that Appellants by their contract, had engaged in acts or conduct in violation of Section 8(e) of said Act.

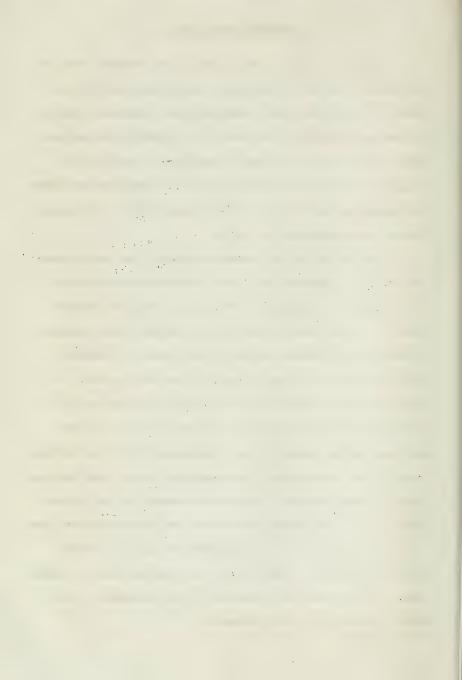
The District Court having made an interlocutory order granting a temporary injunction, jurisdiction of this Court upon appeal is conferred under the provisions of 28 U.S.C. § 1292 (a)(1).



STATEMENT OF THE CASE

This is an appeal from an order of the District Court for the Southern District of California, Central Division granting a Temporary Injunction against Appellants upon a petition filed by the Regional Director of the Twenty-First Region of the National Labor Relations Board on behalf of the Board in which it was alleged that there was reasonable cause to believe that Appellants had engaged in conduct in violation of Section 8(e) of the amended National Labor Relations Act. (R.2).

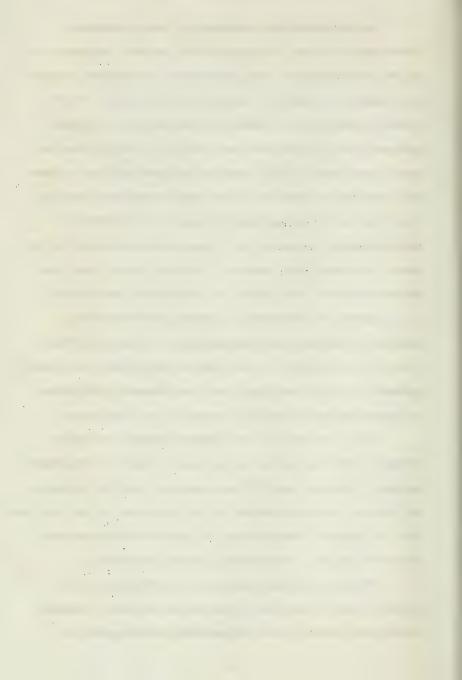
Section 8(e) of the amended Act makes it an unfair labor practice for an employer and a labor organization to enter into or give effect to a contract by the terms of which the employer agrees to or does cease or refrain from handling, using, selling, transporting or otherwise dealing in the products of another employer or to cease doing business with any other person. The Regional Director contended in his petition below that Article I of the contract between Appellants and the retail food market employers who were members of and represented by the Food Employers Council, Inc., constituted an agreement under which these employers agreed to cease handling or selling the products of and to cease doing business with certain distributors and suppliers unless these distributors, suppliers, (or "rack-jobbers") agreed to become parties to or bound by this contract and their employees to become members of Appellants as a condition to the performance of work within the markets by their employees.



In addition to the fundamental or basic allegations concerning the alleged illegality of this contract (referred to as the "Clerks' Agreement") under Section 8(e), the Regional Director also alleged that Appellant Retail Clerks Union Local 770 had breached a Stipulation To Refrain From Unfair Labor Practices, approved by the District Court and entered in a prior proceeding brought under Section 10(1) involving this same contract, in that this Appellant had sought by action filed in the State Court to compel the food market employers to engage in arbitration of certain disputes arising out of or connected with Article I of the Clerks' Agreement. (R.2; Paras.6, 7, 8 and 9; R.17). Thus, the Regional Director, acting under the provisions of Section 10(1) of the amended Act petitioned the District Court below for a temporary injunction restraining Appellants not only from "maintaining or giving effect" to the disputed provisions of the Clerks' Agreement, but also restraining them from "demanding arbitration of, submitting to arbitration or enforcing" such provisions.

It was the theory of the Regional Director that by the attempt to arbitrate matters arising under Article I of the Clerks' Agreement, Appellant Local 770 was engaged in an effort to enforce the disputed provisions contrary to the Stipulation in the prior case. Thus, the Regional Director sought to restrain all arbitrations related in any way to the disputed contract provisions.

However, following administrative conferences, a new Stipulation was entered into, permitting arbitration of disputes arising under Article I but also providing for safeguards to



protect against violations of the statute through the arbitral proceedings. This Stipulation, executed by all of the <u>parties-litigant</u> in the Section 10(1) proceedings, contained two principal covenants:

First: that Appellants would not maintain, give effect to, or enforce Article I of the Clerks' Agreement insofar as it required employees of distributors or suppliers to become members of Appellants as a condition to performing work in the retail food markets or insofar as it required distributors or suppliers to become parties to or bound by the Clerks' Agreement as a condition precedent to the performance of work within the markets by their employees; and,

Second: that Appellants would not enforce or confirm or attempt to enforce or confirm any arbitration award based upon any provision of Article I of the Clerks' Agreement until or unless such award had been submitted to and approved by the Regional Director as being not repugnant to Section 8(e).

The Stipulation also provided for "automatic" entry of a Temporary Injunction by the District Court in the same terms upon application by the Regional Director in the event of violation thereof.

This Stipulation, by its terms, prohibited Appellants
from enforcing those provisions of their contract alleged by the
Regional Director to be illegal, but it permitted Appellants to
arbitrate disputes connected with or arising out of their contract.
Such permission to arbitrate, however, was limited by the agreement



that no award under an arbitration would be implemented or enforced until any such award had been first reviewed by the Regional Director for the purpose of ascertaining whether its enforcement would be itself violative of Section 8(e).

The Regional Director advised the Court that in his view the Stipulation would best effectuate the public policy; urged approval of the Stipulation; and informed the Court that injunctive relief was not sought under these circumstances.

Nevertheless, the District Court, solely upon the objections raised by the Charging-parties, (Opposition - Amer. Research Mrdse. Inst., U.S. Consumer Prod. Co., Wesco Mrdse. Co., R.156;

Opposition - Teamsters Union, R. 128) denied approval of the Stipulation (Memorandum, R.168; See Rpter's Trans. on hearing on Motion For Reconsideration, R. 170; pg.48; pg.50) and granted a Temporary Injunction.

In accordance with the order below, petitioner Kennedy then lodged a proposed Temporary Injunction with the District Court on June 17, 1965. (R.201). This proposed order restrained Appellants from maintaining or giving effect to the alleged illegal provisions of their contract and, in addition, specifically restrained them from engaging in the arbitration proceedings of July 5, 1965 or "submitting to arbitration or arbitrating any issue or dispute arising out of" the Clerks' Agreement, including the seven points of dispute in issue between Appellant Local 770 and the Food Employers Council, Respondent below.

Written objections to the proposed order were filed by the Joint Council of Teamsters, a Charging-party, (R.195). These objections were considered and, first, overruled by the District Court, and the Order Granting Temporary Injunction was signed by the Court as prepared by counsel for the Regional Director, on June 24 and entered on June 25, 1965.

Appellants promptly filed Notice of Appeal (R.222; R.224),
Designation of Record (R.226; R.230) and Statement of Points
(R.228).

Thereafter, however, the District Court again reconsidered its order in the face of the Charging-party Teamster objections, now joined in by the other Charging-parties, and purporting to act under the authority of Rule 60(a) of the Federal Rules of Civil Procedure, issued an "Order Nunc Pro Tunc" (R.199) actually revising and amending Paragraph (c) of the Order Granting Temporary Injunction, so that it now restrained Appellants from "engaging in or carrying on arbitration proceedings now scheduled on or about July 5, 1965, or at any other time submitting to arbitration or arbitrating any issue or dispute arising out of the provisions of Article I of an Agreement dated March 14, 1964 between the Clerks and Employers and others, which are in dispute in proceedings before the National Labor Relations Board, and which pertain to the performance of work within the markets by employees of distributors, suppliers, rack-jobbers, or concessionaires, including but not limited to, the seven points designated to be in dispute in a letter dated March 19, 1965, from the Retail Clerks

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Union, Local 770 to the President of the Food Employers Council."

By reason of the fact that Appellant Local 770 had already scheduled its arbitration for July 5, 1965, application was made to this Court for a stay of the injunction, or in the alternative, for an expedited hearing on this appeal, the latter being granted by order of July 2, 1965.

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SPECIFICATION OF ERRORS RELIED UPON

- 1. The Court erred in its refusal to approve the Stipulation offered and recommended by the Regional Director and in granting injunctive relief not sought or requested by the Regional Director.
- 2. The Court erred in permitting the Charging-parties to substitute themselves as the "principal complainant" in place of the Regional Director and in overruling the administrative judgment of the Regional Director solely on the basis of the objections of the Charging-parties.
- 3. The Court erred in granting its order restraining Appellants from engaging in arbitrations which the Regional Director did not contend would be in violation of the National Labor Relations Act and which the Regional Director did not assert would constitute reasonable cause to believe would be in violation of the Act.
- 4. The Court erred in granting its order restraining Appellants from arbitrating issues which could and would be determined without conflict with any of the issues before the National Labor Relations Board upon the complaint of unfair labor practices.

Add to the

QUESTIONS PRESENTED

- 1. Where the Regional Director of the National Labor Relations Board recommends approval by the District Court of a Stipulation resolving all of the issues before the Court upon a petition for temporary injunction, is it not error for the District Court to deny approval of the Stipulation and to grant the injunction which the Regional Director does not request?
- 2. Whether the District Court erred in permitting the objections of the Charging-parties to overcome the administrative judgment of the Regional Director upon the remedy appropriate to effectuate the public purposes of the federal labor law?
- 3. Whether the District Court acted improperly in restraining arbitration of issues which were not in conflict with the issues before the Board merely by reason of the fact that the contract under which these issues arose is questioned in the Board proceeding?

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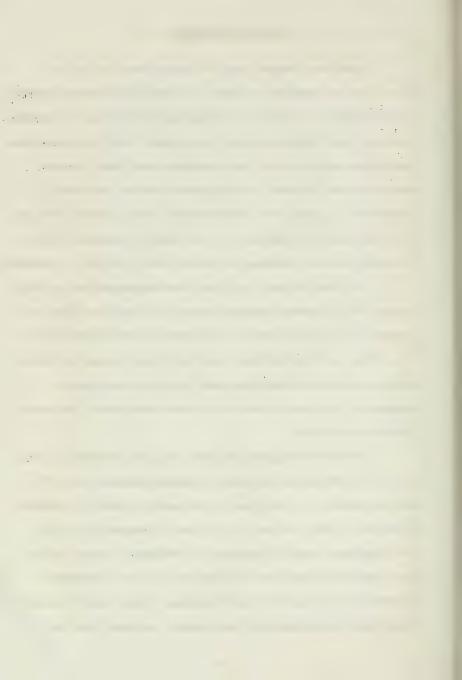
SUMMARY OF ARGUMENT

Appellants contend upon this appeal that the District

Court erred and committed an abuse of discretion in denying approval to the Stipulation offered by the Regional Director and in granting an order for an injunction, upon the urging of the Charging-parties, restraining arbitration of issues arising under their contract, contrary to the judgment of the Regional Director who deemed it appropriate to permit arbitration of such issues provided that any award thereunder be submitted for his review to determine whether such award would be repugnant to Section 8(e) of the Act if enforced.

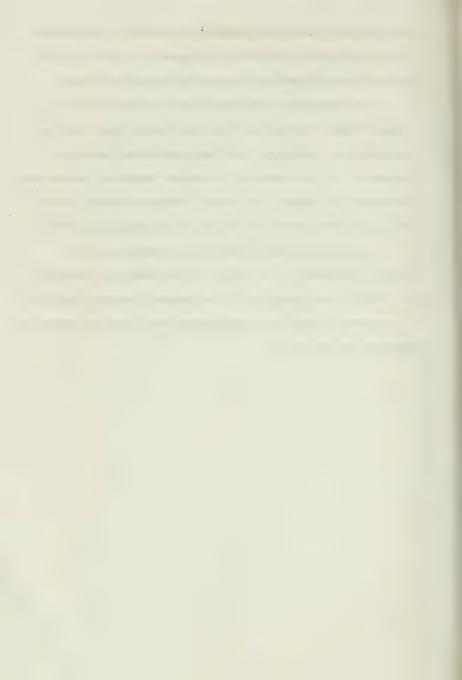
The District Court permitted the Charging-parties to seize control of the hearing upon the Regional Director's Petition, and adopted their position over the opposition of the Regional Director. Thus, the District Court actually allowed private parties to administer the public policies under the statute and gave no credence to the expertise which the Courts consistently attribute to the Federal agency.

Although the Regional Director had petitioned for an order restraining the pending arbitration between Appellant Local 770 and the Employers, at the time of the hearing he made it perfectly plain that, after a review of all of the circumstances, he felt that Appellants should be permitted to arbitrate, subject to his later review and thus urged the Court not to issue a Temporary Injunction and to approve the Stipulation. Except under the most compelling circumstances not here present, we submit that the



District Court should have accepted the position of the Regional Director and should have denied the injunctive relief that the Regional Director indicated was neither required nor sought.

The arbitration proceedings that were the crux of the argument before the District Court would not on their face have resulted in an arbitration award which would have enforced or implemented the provisions of the contract alleged by the Regional Director to be illegal. The issues in arbitration were matters of dispute solely between the Unions and the Employers, arising out of or resulting from the lack of enforceability of the disputed provisions of the contract. The injunction granted by the District Court unnecessarily and unjustly deprived Appellants of substantial rights concerning matters which were not within the cognizance of the Board.



ARGUMENT

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THE DISTRICT COURT ERRED IN REFUSING TO APPROVE THE STIPULATION SUBMITTED BY THE PARTIES AND IN GRANTING AN INJUNCTION WHICH WAS NOT SOUGHT BY THE REGIONAL DIRECTOR SOLELY UPON THE OBJECTIONS OF THE
CHARGING-PARTIES.

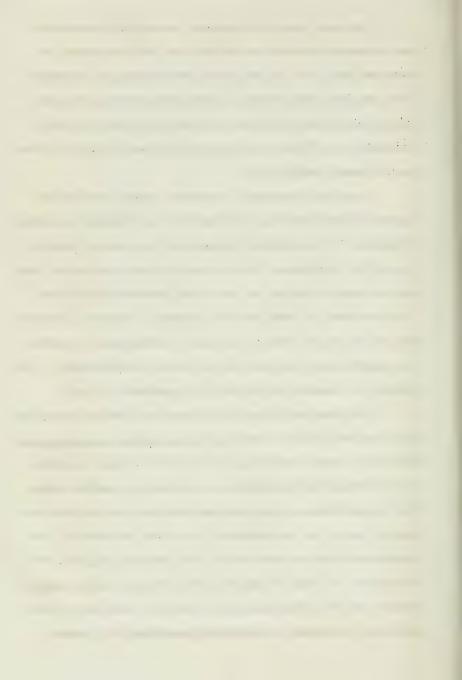
The principal issue before this Court is whether the District Court committed error, and in fact, abused its discretion in refusing to approve the Stipulation To Refrain From Unfair Labor Practices (R.160) offered by the Regional Director and in granting injunctive relief not sought by the Regional Director solely upon the objections made by the Charging-parties.

Article I of Appellants' contract was attacked by the Board as constituting an agreement in violation of Section 8(e) of the National Labor Relations Act. As reflected by the allegations in the Petition for Injunction (R.2) a prior such petition had been filed in 1964 (No. 64-874-PH; (S.D.Cal.)) and the issues were resolved without hearing by a Stipulation To Refrain From Unfair Labor Practices (R.2; Exhibit "F"). The Petition for Injunction involved in this appeal is identical to the 1964 petition, except for the additional allegations that Appellant Local 770 had breached the 1964 Stipulation by the filing of a State Court action to compel arbitration. (R.2; Paras. 6, 7, 8, 9 and 10; Exhibit "H").

The real thrust of this second Section 10(1) proceeding was to restrain the arbitration which was then being sought by Appellant Local 770. By the time of the hearings in the District Court the State Court action to compel arbitration had been dismissed, but a different request for arbitration had been made by Appellant Local 770 and accepted by the Employers. (R.T.27; R.186-Decl.of Arnold; Exhibit "A").

There is no evidence in the entire record, nor did the
Regional Director contend, that Appellants had attempted any direct
enforcement of the contested provisions of the contract contrary
to the 1964 Stipulation. The only matter before the District Court
was the question whether the arbitration proceedings under the
letter of March 19, 1965, would be inherently violative of Section
8(e) of the Act, or would in any manner infringe upon or overlap
the jurisdiction of the Board in its ultimate determination of the
legality or illegality of Article I of Appellants' contract.

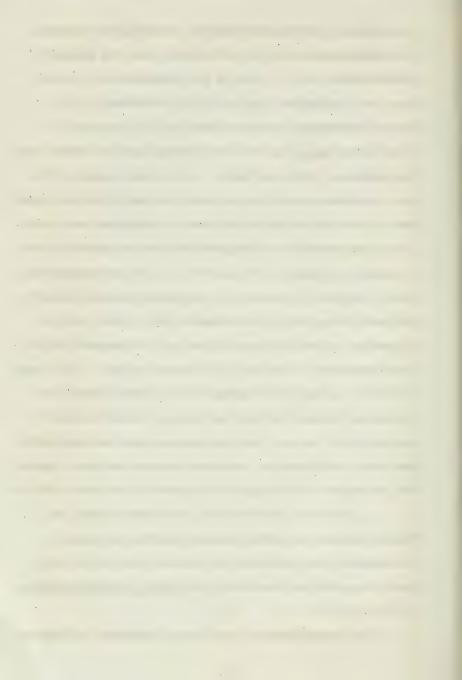
by the Regional Director, and after administrative discussions with the General Counsel concerning the scope of the relief requested in the Section 10(1) proceeding, an agreement was reached between the Regional Director, the Respondent Employers and Food Employers Council, and all of the Respondent Unions upon the terms of a new Stipulation To Refrain From Unfair Labor Practices. (R.160). This Stipulation, as filed for approval of the District Court, plainly disposed of all of the issues before the Court under the Petition, including the problem of arbitration proceedings, in a manner



satisfactory to the Regional Director, exercising his discretion in the administration of the public policy under the National Labor Relations Act. A review of this Stipulation will make it clear that the Regional Director finally determined that the proposed arbitration proceedings would not be a violation of public policy per se nor would they infringe upon or conflict with the proceedings before the Board. As an ultimate safeguard, however, Appellants agreed that they would not seek to enforce, implement, or petition to confirm any award of arbitration until after it had been reviewed by the Regional Director and approved by him as being not repugnant to Section 8(e) or to the proceedings then before the Board. As counsel for the Regional Director stated to the Court below, "this is the safeguard that is built into the Stipulation and for this reason there can be no danger of the Act being transgressed or the Act being violated as such. All it does is afford a hearing before another tribunal before /which / the parties may be heard for their own purposes without violating Section 8(e) of the Act. For this reason we feel that the settlement here, the Stipulation, adequately protects the public interest and yet affords certain rights to the parties to be heard." (R.T.9).

As the record now before this Court demonstrates, the Regional Director was wholly satisfied with the provisions and conditions of this Stipulation and strongly urged the District Court to approve the Stipulation. (See Motion for Reconsideration, R.170; R.T.4-9).

The Charging-parties in the Board proceeding, the Teamsters



Union and the so-called "rack-jobbers", objected strenuously to the request for approval of the Stipulation, and the record makes it abundantly clear that the denial of approval by the District Court was almost entirely based upon these objections.

The District Court in effect gave the Charging-parties status as parties-litigant in the proceedings below. Certainly from this record it cannot be concluded that the participation of the Charging-parties in the proceeding was restricted to aiding the Regional Director but without substituting themselves as the principal complainant (McLeod v. Mechanics Conference Board, (CA-2) 300 F. 2d 237). Regardless of the denial of the District Court that it did so, (R.168), the Court accorded the Charging-parties such complete status as to permit them to control the course of the litigation and in the last analysis, to overcome the administrative expertise of the Board.

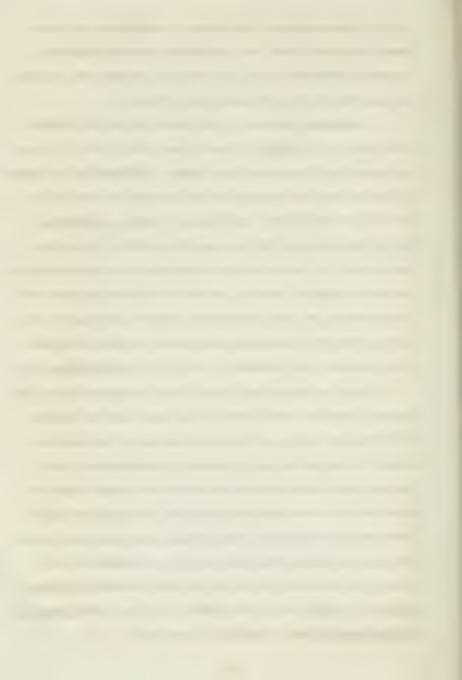
In addition to giving great weight to the objections, the Court below indicated that the matter was also controlled by the Petition filed by the Regional Director which had not been formally amended despite the filing of the Stipulation (R.T.26). Appellants suggest that by the filing of the Stipulation, the Regional Director clearly indicated a modification of his allegations in the Petition, i.e., that the arbitration proceedings gave him reasonable cause to believe that a further violation of the Act was being committed. While the better practice would have been for the Regional Director either to have amended his Petition or, at least, to have moved to vacate his Order To Show Cause upon the



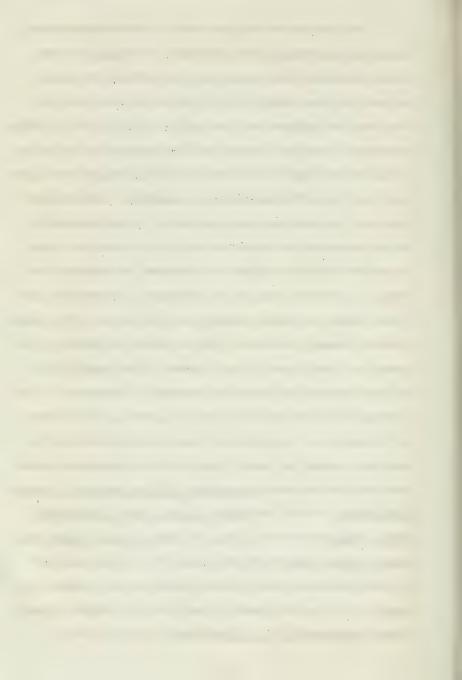
filing of the Stipulation for approval, nevertheless, the record makes it perfectly clear that the Regional Director sought no injunctive relief whatsoever, and stated to the Court his complete satisfaction with the settlement terms offered.

Appellants' position on this appeal is that the District Court committed an abuse of discretion and judicial error in denying approval of the proposed Stipulation. "Stipulations are favored in law; and there is authority for the procedure followed by the Board in the instant labor controversy." (NLRB v. J.L.Hudson, (CA-6, 1943) 135 F. 2d 380; cert.den 320 U.S.740). The settled rule is that "... courts ordinarily look with favor on stipulations designed to simplify, shorten, or settle litigation and save costs to the parties, and such stipulations should be encouraged by the courts rather than discouraged, and enforced by them unless good cause is shown to the contrary..." (83 C.J.S. 3, Stipulations § 2).

Where the parties to a Section 10(1) proceeding before the District Court have entered into a stipulation with the approval of the Regional Director, "to refrain from any of the practices alleged in the petition until the Board's determination", the District Court should exercise its discretion to deny injunctive relief for the reason that the stipulation to refrain from unfair labor practices constitutes clear evidence that there is no reasonable cause to believe that there will be a continuance of the unfair labor practices involved in the Board proceeding. (Madden v. Local 134, IBEW; (DC. ND.III.-1960) 187 F. Supp. 698; Alpert v. Steelworkers (DC Mass., 1956) 141 F. Supp. 447).



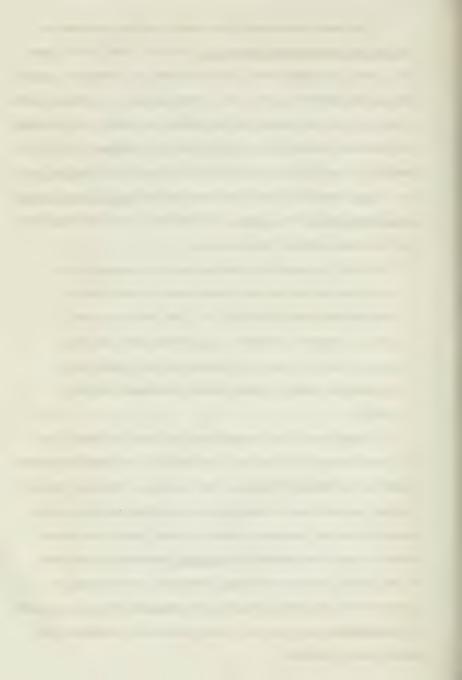
The question of the legal status of the Charging-parties, whether as intervenors, parties-litigant, or as amici has been debated throughout these proceedings, and although this matter may well have been finally laid to rest by the recent order of this Court on the Motion For Intervention, (July 2, 1965), a highly fundamental issue still remains as to the propriety of the action of the District Court in according overwhelming weight to the position taken by the Charging-parties in opposition to the Regional Director. The question of the standing of the Charging-parties to seek enforcement of orders not sought by the Board or to seek injunctive relief or citations in re contempt not desired by the Board, has most often been raised on motions to intervene or upon direct motions for orders granting the relief desired. The precise question, however, of whether a District Court upon Section 10(1) proceedings should grant relief in excess of that sought by the Regional Director, has seldom been discussed in the cases. It is certainly clear that the Board acts as a public agency in enforcing the mandate of the statute and that private parties have no standing to appeal for relief in Section 10(1) proceedings beyond that sought by the Board (Amalgamated Utilities Workers v. Consolidated Edison, 309 U.S. 261; Douds v. Wine, Liquor & Distillery Workers Union (SD NY) 75 F. Supp. 447; NLRB v. Retail Clerks International Association, (CA-9) 243 F. 2d. 777). It has been held in these proceedings that, "private parties have no rightful place, except as the Court may desire to avail itself of helpful suggestions." (Aluminum Ore Co., v. NLRB (CA-7) 131 F. 2d. 485).



The issue raised upon this appeal was also involved in Phillips v. Mine Workers District 19, (DC EDT, 1963) 218 F. Supp. 103.) There, the Board moved for dissolution of a temporary injunction in the District Court. One of the employers, a charging-party, objected to the dissolution of the injunction, sought to intervene, and requested permission to bring actions for contempt. After an analysis of the right of intervention in view of the Aluminum Ore case, supra, and this Court's decision in the Retail Clerks International Association case, supra, this District Court concluded with the following pertinent observations:

"The NLRB is charged by Congress with the responsibility for effecting the National Labor policy as set forth in the National Labor Relations Act. The Court does not feel it proper to continue an injunction where the applicant does not want it continued and has stated that it does not expect to seek further enforcement of the order."

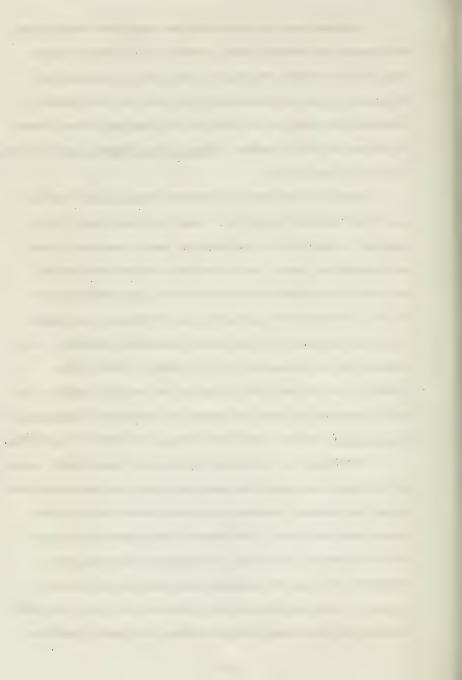
Appellants do not contend that the District Court is in all cases required to grant only the relief in the form and manner sought by the Regional Director. We do contend, however, that it is error and an abuse of discretion for the District Court to go beyond the relief requested, unless the most compelling circumstances appear from substantial evidence presented to the Court in the course of the proceedings, from which it could only be concluded that the relief sought by the Regional Director is patently inappropriate and will not prevent the future commission of unfair labor practices.



The mere fact that a petition has been filed under Section 10(1) giving the District Court jurisdiction to issue an injunction, does not deprive the Court of the right to exercise its discretion to deny the injunction, and where the facts show no likelihood of injury to the public or the Charging-parties, there is no need for an injunction. (Douds v. Wine Workers Union (DC SNY, 1948) 75 F. Supp. 447).

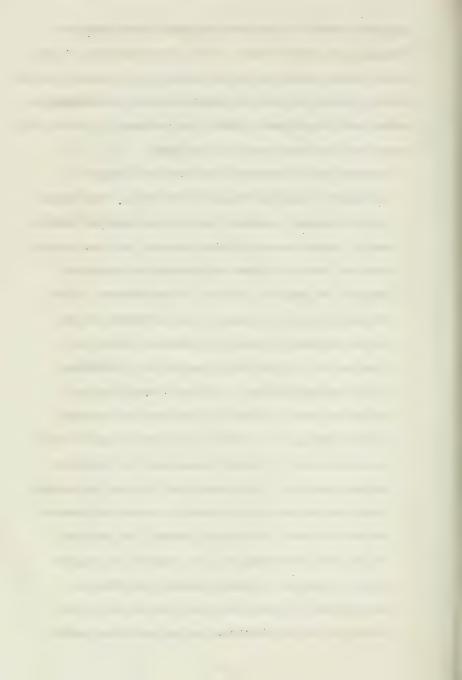
While the Act grants the District Court jurisdiction to issue such temporary relief as it deems just and proper, "this language is freighted by the history of equity practices, dating back hundreds of years", and it is clear that the Board is not entitled to an injunction merely because it petitions the Court for one. There must be reasonable cause to believe that injunctive relief is required by the factual situation presented. The necessity for an injunction is to be judged in light of the purpose of the National Labor Relations Act and the traditions of equity practice governing the issuance of injunctions. (Johnston v. Stevens & Co., (DC ENC, 1964) 234 F. Supp. 244 aff'd 341 F. 2d 891).

Certainly the traditional principles of equity would oppose the granting of an injunction where petitioner and respondents have reached an agreement disposing in a proper manner of all of the issues before the Court. The District Court apparently reasoned that, by reason of the filing of the verified petition for an injunction, and upon the strenuous objections of the Charging-parties, it could not approve the Stipulation and, thus, was bound to issue the injunction. This we believe to be wholly incorrect.



Appellants submit that the true rule which should have been followed by the District Court is that, as stated above, in the absence of most compelling circumstances, it is an abuse of discretion for the District Court to prohibit parties from engaging in conduct which the Regional Director does not seek to restrain and against which no Board action will be taken.

"Section 10(1) is operative only upon the filing of a petition by a Regional Director of the Board. This limitation was imposed in order to restrict the potential involvement of federal courts in labor disputes. For that reason, we do not read it to allow consideration of issues not raised by the Regional Director. To do otherwise, would not only increase the danger of over-involvement on the part of the federal courts, but would also ignore the expertise which Section 10(1) commands us to attribute to the Regional Director. It is his view of the facts and law the district judge is to evaluate in a section 10(1) proceeding. The courts are not free to roam at will over every aspect of a labor dispute upon the request of the charging-party. We are mindful of the fact the statute allows the charging-party to appear by counsel and present relevant testimony. We believe, however, the principal role in these proceedings is to be played by the Regional Director acting in the public interest, and while the charging-party is free to aid him in the course of the litigation, the charging-party may not substitute itself



as the principal complainant." (McLeod v. Mechanics

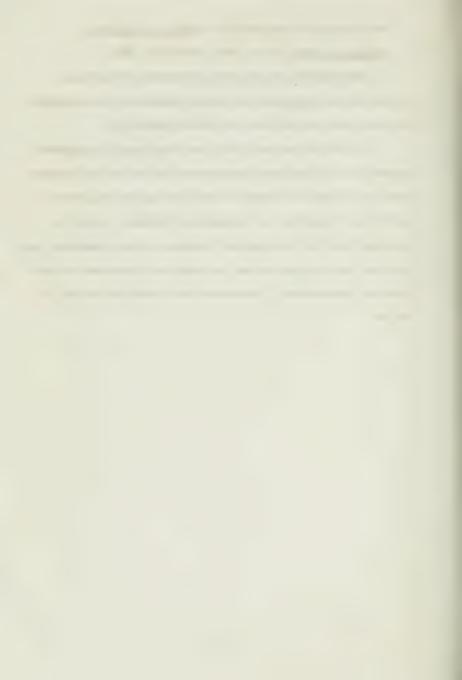
Conference Board (CA-2, 1962) 300 F. 2d. 237).

The reasoning of the Court of Appeals of the Second

Circuit in the McLeod case is directly applicable to this appeal

and we believe the rationale should be controlling.

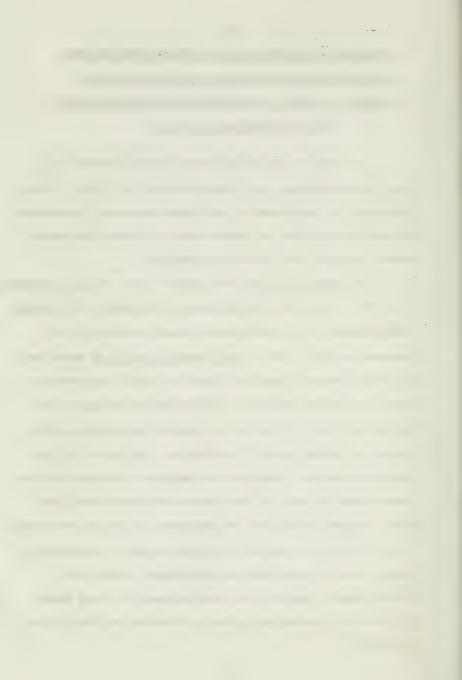
In the instant case, only the Charging-parties opposed approval of the settlement Stipulation. The act of the District Court in granting the injunction and refusing the Stipulation ignored the "expertise" of the Regional Director; denied the "principal role" of the Regional Director in the proceedings; and, permitted the Charging-parties to substitute themselves "as the principal complainants", contrary to the intent and purpose of the Act.



THERE WAS NO REASONABLE CAUSE TO BELIEVE THAT THE PENDING ARBITRATION, OR ANY SIMILAR ARBITRATION, WOULD
RESULT IN AN AWARD WHOSE ENFORCEMENT WOULD VIOLATE ANY
OF THE PROVISIONS OF THE ACT.

The order of the District Court broadly restrains Appellants from arbitrating any issue arising out of Article I which pertains to the performance of work within the stores by employees of suppliers including the "seven points" of dispute now pending between Appellant Local 770 and the Employers.

The immediate impact of the Court's order was upon Appellant Local 770, in that the order specifically restrained that Appellant from proceeding with an arbitration already scheduled to have commenced on July 5, 1965. (See Affidavit of De Silva, dated June 24, 1965). However, Appellants herein are equally concerned not only by the general restriction against arbitration imposed by the District Court but also by the specific restrictions imposed against the pending Local 770 arbitration. The reason for this position is obvious. Appellants are seriously concerned about the issues raised by Local 770; are desirous of either having these issues resolved in the Local 770 arbitration or; in the alternative, at some future date, possibly asserting the same or substantially similar issues in other arbitral proceedings. Beyond this present concern, Appelants also fear the possible future impact of the broader restrictions against arbitration contained in the injunction.



Perhaps the most compelling reason for reversal of the Court below is the simple fact that under the Court's order Appellants cannot arbitrate any of these issues while, to the contrary, had the District Court approved the Stipulation, Appellants would have been free to arbitrate subject to the final review and approval of the Regional Director. Thus, under the injunction, Appellants are unnecessarily deprived of the benefits of arbitrations that upon analysis would not give rise to concern on the part of the Regional Director.

Amici curiae have cited and undoubtedly will again cite to this Court, the recent decision of the District Court for the Southern District of New York in McLeod v. American Federation of Television and Radio Artists (234 F. Supp. 832, (1964)). Appellants, however, submit that the McLeod case is simply not applicable to the situation involved in this appeal. McLeod also involved a contract alleged to be in violation of Section 8(e) because it contained a provision which appeared to illegally restrict sub-contracting. The arbitration that was restrained by the District Court in McLeod was an arbitration of a grievance alleging a breach by the Employer of the exact sub-contracting restrictions in the collective bargaining agreement which were under attack by the Board.

The situation is quite different in the instant case. The

McLeod situation would have arisen in this proceeding only if

Appellants alleged in a demand for arbitration that the Food

Employers had directly breached the disputed provisions of

Article I.

A review of the "seven points" of dispute raised in the letter of March 19, 1965, will make it quite clear that the issues raised in this arbitration will be completely ancillary to and not in conflict with issues before the Board. Appellant Local 770 was not attempting in any manner to enforce the disputed provisions of Article I of the Clerks' Agreement, but to the contrary, was attempting to have a determination of issues which developed as a result of the Board's attack upon Article I, and as a direct result of Appellants' agreement by Stipulation not to give effect to those disputed provisions.

While we assume that Appellant Local 770 will argue a lack of conflict or overlap between the issues in arbitration and the issues before the Board in detail, because of a companion interest in these and similar issues, some comment is warranted by these Appellants.

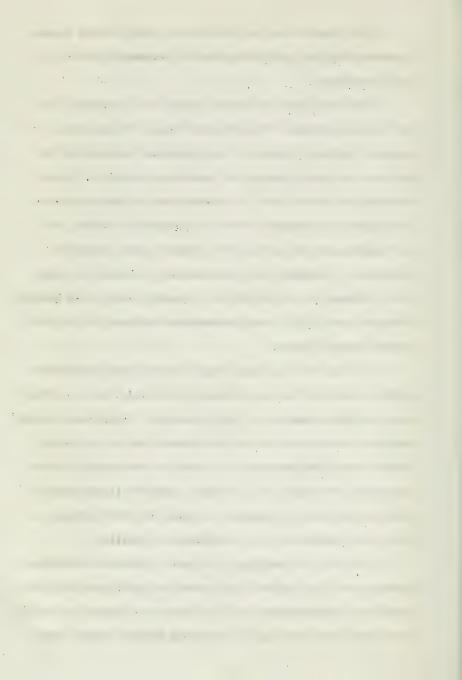
The first issue, raised in the March 19 letter, questioned the intent of the parties during negotiations. Contrary to all that has been said, we submit that the question of intent is not tantamount to an effort to enforce or implement. The second and third issues raise a question of whether, as a result of the impossibility of performance by the Employers due to the Board charges, there has been a failure of consideration for which the Unions should be compensated by reason of the fact that the Employers have the benefit of certain economic factors granted to them as a consideration for the now unenforceable provisions of Article I.

The fourth issue is related to the first and the dispute is evidenced by the conflicting contract documents, exhibits in this proceedings.

The last three issues are interrelated. Article XXI of the contract contains a "separability" clause for protection against a ruling of illegality and a connected agreement by the Employers to mutually defend the legality of Article I. Quite obviously, Appellant Local 770 contends that the Employers have not in good faith complied with their agreement to defend, and also asserts that the effect of the Board's action should be interpreted as bringing into operation the re-negotiation right under Paragraph "A" of Article XXI. Finally, there is the question of whether under all of the circumstances the Union has the right to take economic action.

In none of these issues does Appellant Local 770 attempt to obtain an award from an arbitrator which would have any effect upon the Charging-parties in this proceeding. These issues relate solely to controversies or disputes between the parties to the contract which have developed as a result of the pending proceedings before the Board. In no instance under the issues submitted would the arbitrator be empowered to order the Food Employers to cease doing business with any distributor or supplier.

The Court in the McLeod case noted a number of situations in which concurrent jurisdiction between arbitration and the NLRB could arise, and commented that: "in situations similar to those just cited, where there may be an overlap between conduct which



constitutes breach of an agreement and also constitutes an unfair labor practice, on the basis of the Supreme Court decisions, this Court would be loath to interfere with an arbitration of the dispute pursuant to an arbitration clause in the contract."

The reason the Court in McLeod restrained the arbitration is found in the next paragraph of its opinion when it pointed out that it was: "the clause itself, whose breach is the basis of the arbitration", so that the arbitration was itself an unfair labor practice. But, inasmuch as the breach of the disputed provisions of the contract are not in issue in any arbitration sought by Appellants, the District Court acted improperly.

The only basis upon which arbitration may be restrained by a Federal Court is if the award asked of the arbitrator would result in the enforcement of the contractual provisions which the General Counsel seeks to have the Board declare illegal and unenforceable. Where, as in this case, the parties are attempting only to obtain a declaration of their rights resulting from unenforceability of their contract, the courts should not interfere.

Finally, the proposed Stipulation balanced the equities between the parties with far more justice than did the order of the Court below. The injunction forbids any consideration of these issues. But the Regional Director must have realized that it was not the fact of arbitration which would violate public policy under the Act, but only certain arbitral awards themselves. Thus, he concluded that whatever danger might lie in the fact of arbitration would be removed if his review and approval were required

before any such award could be enforced. His only interest was to prevent enforcement of the clauses alleged to be illegal and he was not interested in denying to Appellants the benefit of other legal and contractual rights. Appellants conclude that justice was denied by the order of the District Court granting the Temporary Injunction.

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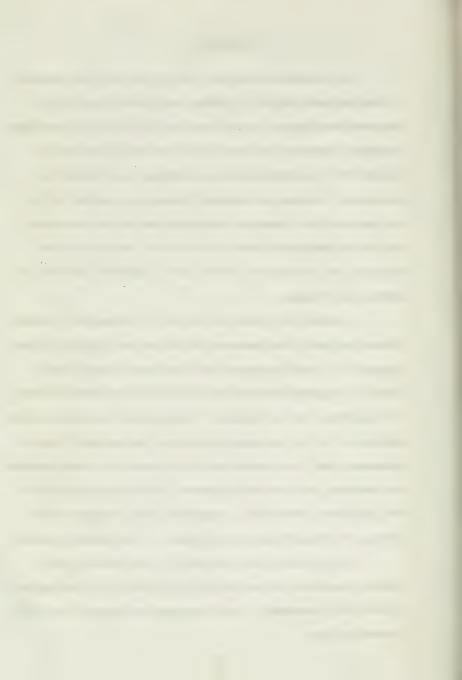
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CONCLUSION

The provisions of Section 10(1) of the Act were intended by Congress to establish a procedure under which repetition or continuation of serious unfair labor practices could be restrained in order to preserve the status quo during the period of time required for the administrative proceedings to be brought to a conclusion. Although the Regional Director is required to file his petition for a temporary injunction once he has determined that he has reasonable cause to believe that the Act has been violated, the law does not require that a temporary injunction be granted in all cases.

A balance must always be reached by the Regional Director between the conflicting interests of the various parties who are involved in a Board proceeding, and the Federal Courts should accord the Regional Director wide latitude in the administration of the policies of this statute. Consequently, when after careful analysis of all of the issues and factors, the Regional Director determines that a settlement should be entered into which provides for something less than the injunctive relief originally applied for, Appellants submit that, except under most extreme circumstances, the Federal Courts should defer to the Regional Director.

In the present case, the order of the District Court deprived Appellants of very substantial rights, which the Regional Director had determined, in his administrative wisdom, should be accorded to them.



The Stipulation would have permitted Appellants to arbitrate the issues in dispute, none of which are within the jurisdiction of the Board, none of which will be decided or determined in the Board proceeding, and none of which are of any concern to the Charging-parties. On the other hand, it is, of course, possible that an arbitration award could be rendered, which would overlap or conflict with the statutory issues before the Board. To prevent such conflict from occurring, the Regional Director determined that Appellants should submit any award to him before it was implemented or enforced.

All of this carefully reasoned accommodation of conflicting interests was destroyed by the Temporary Injunction granted by the District Court and Appellants submit that, upon this record, the District Court erred and, in fact, abused its discretion.

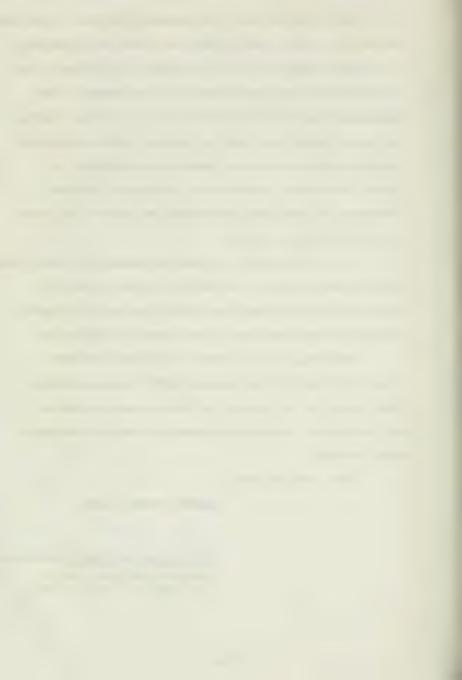
WHEREFORE, for the reasons stated herein Appellants
respectfully urge that the District Court's order granting temporary injunction be reversed, and that the cause be remanded
with direction to approve the Stipulation To Refrain From Unfair
Labor Practices.

DATED: July 16, 1965

GILBERT, NISSEN & IRVIN

By

Attorneys for Appellants Retail Clerks Union, Locals 324, 899, 1167, 1428 and 1442.



CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion the foregoing brief is in full compliance with those Rules.

William B. Irvin



CERTIFICATE OF SERVICE

I hereby certify that a copy of the within brief on behalf of Appellants was served this 20th day of July, 1965, upon each of the following by mailing the same in a stamped, addressed envelope to each at the address indicated:

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IN THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

RETAIL CLERKS UNION, LOCALS 770, 137, 905 AND 1222,

APPELLANTS.

AND

RALPH E. KENNEDY, REGIONAL DIRECTOR
OF THE 21ST REGION OF THE
NATIONAL LABOR RELATIONS BOARD, ETC.,

APPELLANT,

VS.

FOOD EMPLOYERS COUNCIL, INC.,

APPELLEE.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA, CENTRAL DIVISION

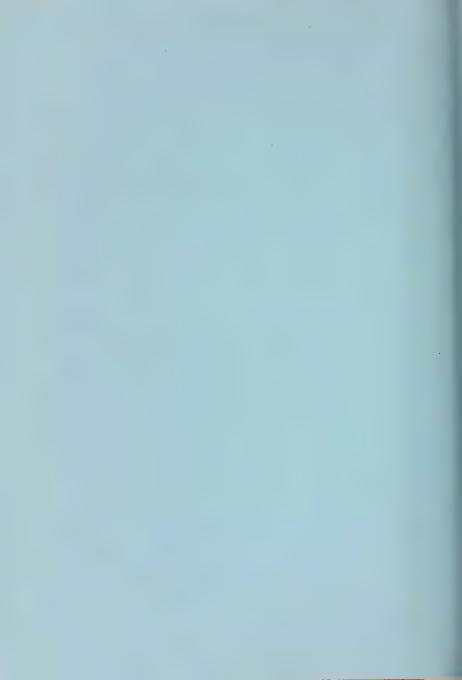
BRIEF FOR APPELLANT RETAIL CLERK UNIONS LOCALS 770, 137, 905 AND 1222

FILED
JUL 2 1 1965

FRANK H. SCHMID, CLERK

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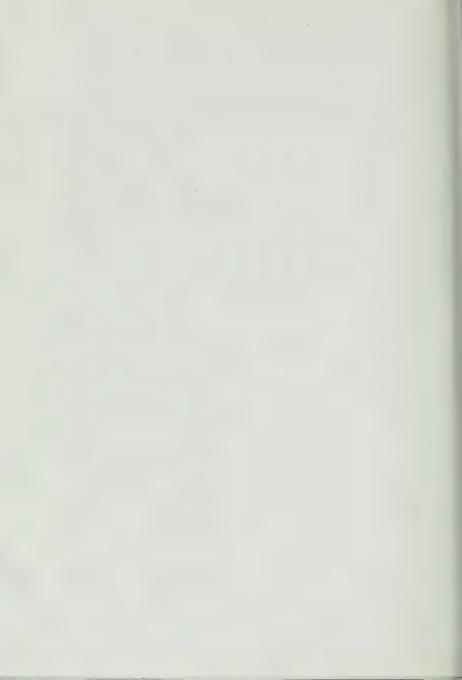
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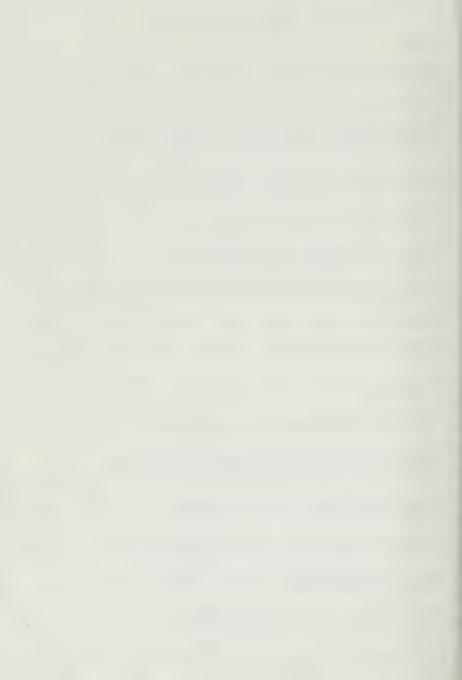


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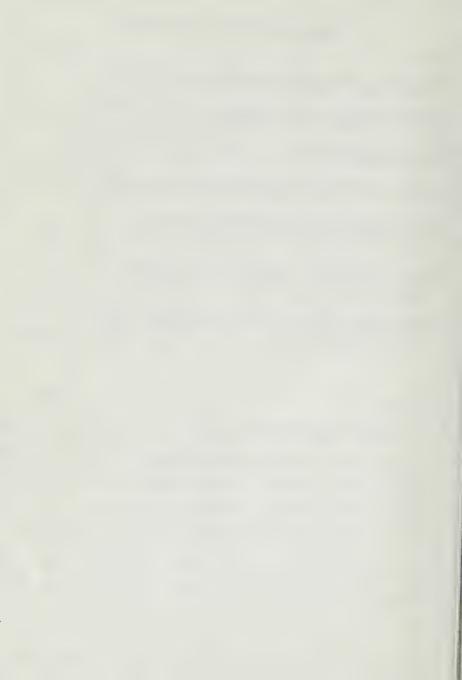
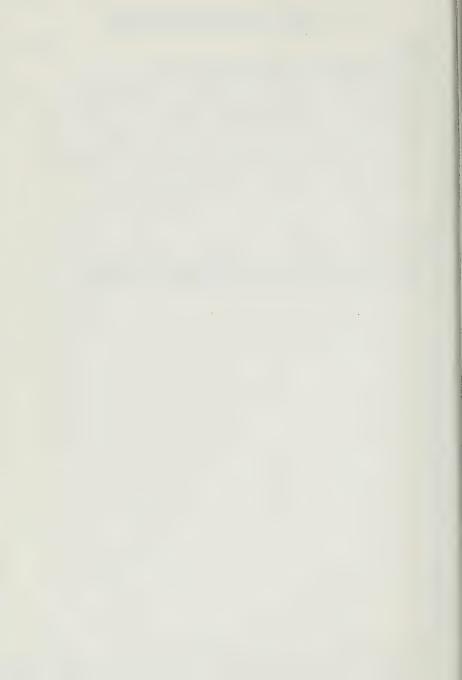


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NO. 20201

RETAIL CLERKS UNION, LOCALS 770, 137, 905 AND 1222,

APPELLANTS.

AND

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RALPH E. KENNEDY, REGIONAL DIRECTOR OF THE 21ST REGION OF THE NATIONAL LABOR RELATIONS BOARD, ETC.,

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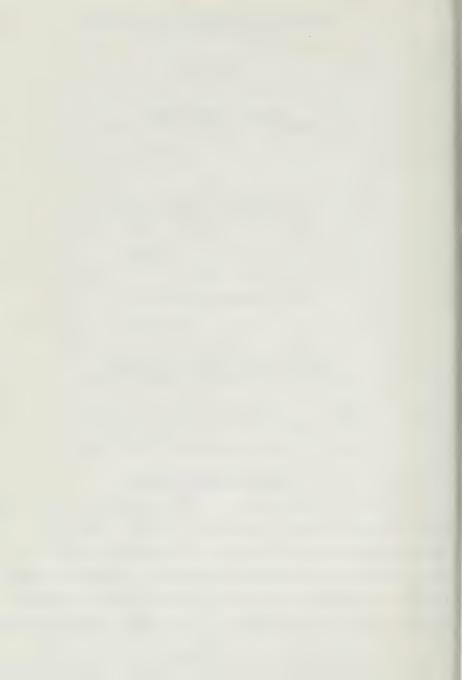
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JURISDICTIONAL STATEMENT

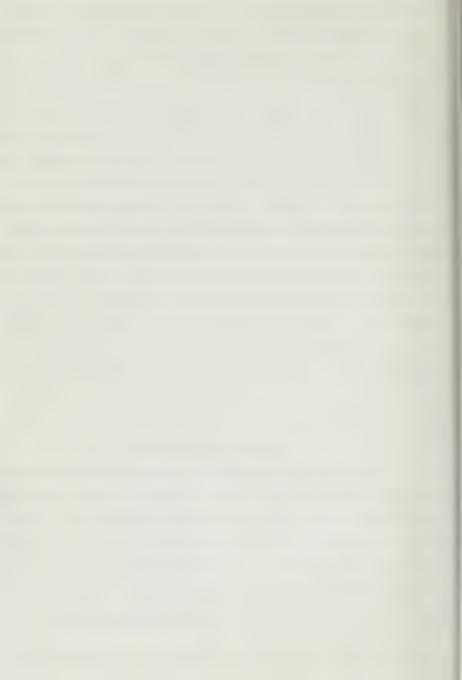
This is an appeal from an order entered on June 25, 1965, 2 and an order nunc pro tunc entered June 25, 1965, by the 3 United States District Court for the Southern District of 4 California, Central Division, granting a "temporary injunction 5 against these Appellants. (TR 199, 201 - 204) Appellants 6 appeal only from Paragraph (c) of the Order Granting Temporary



Injunction (TR 204, lines 1 - 6) and from Paragraph (c) of the Order Nunc Pro Tunc. (TR 199, lines 23 - 32 and TR 200, lines 1 - 2) The underlying action was brought by the Appellant Regional Director for and on behalf of the National Labor Relations Board to enjoin these Appellants from the commission of acts which the said Regional Director alleged he had reasonable cause to believe were in violation of Section 8(e) of the National Labor Relations Act, as amended, 29 U.S.C. Section 158(e), 48 Stat. 944. The District Court's jurisdiction was invoked under Section 10(1) of the National Labor Relations Act, 29 U.S.C. Section 160(1), 48 Stat. 946. Notice of Appeal was filed in the District Court by these Appellants on June 25, 1965 (TR 224 - 225), and this Court by its order dated July 2, 1965, as corrected July 14, 1965, has ordered the case expedited pursuant to Section 10 of the Norris-LaGuardia Act, 29 U.S.C. Section 110, 47 Stat. 70.

STATEMENT OF THE CASE

1. The Facts of This Case: The Regional Director of the National Labor Relations Board, on January 8, 1965, petitioned the District Court for an injunction preventing these Appellants and Appellee, Food Employers Council, Inc., from "maintaining, giving effect to, demanding arbitration of, submitting to arbitration, or enforcing Article I, Sections A, B and F(1) and (2)" of a labor agreement entered into between



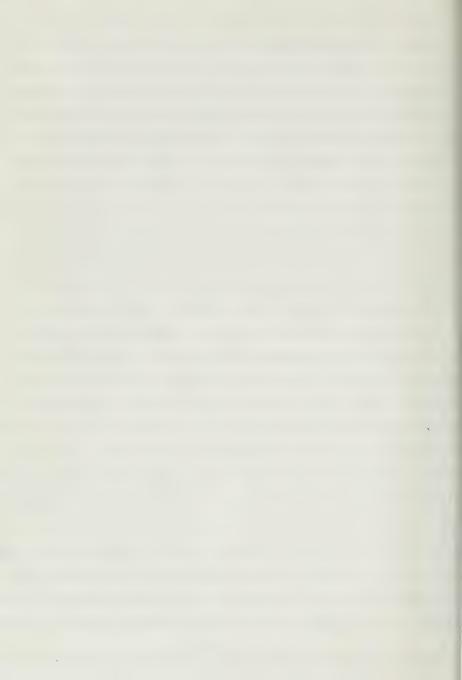
these Appellants and Appellee on or about April 1, 1964, (TR 18, Government's Exhibit 1, and Petitioner's Exhibit 1) insofar as these clauses require employees of persons doing business with the Appellee Food Employers Council to become members of Appellant Unions' bargaining unit as a condition to performing work in retail food markets. Prior to the filing of the present petition, on June 30, 1964, the then Acting Regional Director of the 21st Region of the National Labor Relations Board filed a similar petition, in substance alleging the unlawfulness of the same clauses of the labor agreement. (TR 15) On the same date, these Appellants, Appellee, Appellant Local Unions 324, 899, 1167, 1428 and 1442, and Appellant National Labor Relations Board entered into a stipulation to refrain from unfair labor practices, which stipulation was approved by the court and filed on the same date. (TR 15) Thereafter, on November 10, 1964, Appellant Retail Clerks Union, Local No. 770, demanded of Appellee im-8 plementation of the grievance and arbitration procedure of the labor agreement and on November 24, 1964, filed a complaint 0 for injunctive relief and for order compelling arbitration in I the Superior Court of the State of California for the County 2 of Los Angeles. (TR 16) The Regional Director then took the 3 position that the said complaint was in violation of the stip-4 ulation to refrain from unfair labor practices entered into June 30, 1964, and therefor filed the present petition. (TR 6 16) Prior to issuance of the Order Granting Temporary Injunc-

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- tion in this case, the action in the Superior Court was dismissed. (Reporter's Transcript, p. 20)
- 2. The Proceedings before the National Labor Relations

 Board: Pursuant to Section 10(b) of the Labor Management Relations Act, as amended, 29 U.S.C. 160(b), 48 Stat. 926, a hearing has been conducted before a Trial Examiner of the Board in which participated all Appellant Unions, Appellant National Labor Relations Board, and the parties appearing on this appeal as amici curiae in which these Appellants vigorously defended the legality of the clauses in issue. (Reporter's Transcript, p. 8) The parties hereto await the recommendation of the Trial Examiner and action upon his recommendation by the Board.
- 3. The Proceedings in the District Court: After the filing of the petition for injunctive relief and prior to May 27, 1965, a stipulation entered into by the petitioner and all respondents was lodged with the District Court for its approval. (TR 160) Under the terms of this stipulation, these Appellant Unions and Appellee agreed to refrain from enforcing in any manner the clauses of the labor agreement alleged to be violative of the Act. Specifically it was agreed with the National Labor Relations Board that any arbitration award secured by any of the Appellant Unions or by Appellee touching upon the said clauses would be in no way effectuated until submitted to the Regional Director of the 21st Region of the Board and he had determined such award was neither repugnant to



nor violative of Section 8(e) of the Act, cited supra. (TR 162) In addition, it was agreed in the stipulation that, should the Regional Director subsequently have reasonable cause to believe that any of the provisions of the stipulatio were violated, he could, upon affidavit and without notice to the other parties to the stipulation, request the court to enter a temporary injunction in the form attached as Exhibit A to the stipulation. (TR 162, 164 - 167) On May 27, the District Court, the Honorable Peirson Hall, Presiding, filed its Memorandum Decision denying the request for approval of the stipulation. (TR 168 - 169) Upon motion for reconsidera 12 tion filed by the National Labor Relations Board June 3, 13 1965 (TR 170), the court again ruled, on June 14, 1965, that 14 the injunctive relief to be granted in response to the petiti 15 "should include an order enjoining the proceeding with the arbitration." (Reporter's Transcript, p. 51) The order 16

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were enjoined and restrained from: "(c) Engaging in or carrying on arbitration proceedings now scheduled on or about July 5, 1965, or at any other time submitting to arbitration or arbitrating any issue or dispute arising out of Article I of the Clerk's Agreement, including, but not limited to, the seven points of dispute outlined in the letter of March 19, 1965, from Retail

signed, filed and entered by the court, June 24 and June 25, 18 1965, provided, in relevant part, that Appellants and Appelle



Clerks Union, Local 770, to Robert K. Fox, President, Food Employers' Council, Inc." (TR 202, 205)

The letter of March 19 was an exhibit to a motion for leave to file points and authorities filed by Appellants.

(TR 188)

On June 25, 1965, the District Court, at the request of a charging party (TR 195), signed, filed and entered an Order Nunc Pro Tunc changing Paragraph (c) of the Order Granting Temporary Injunction to read as follows:

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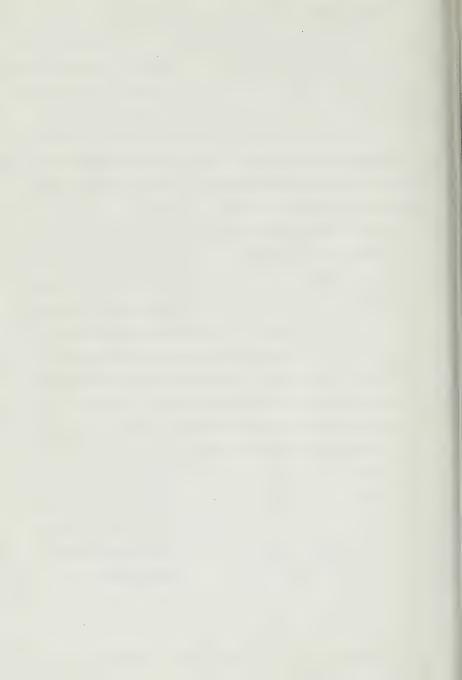
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"(c) Engaging in or carrying on arbitration proceedings now scheduled on or about July 5, 1965, or at any other time submitting to arbitration or arbitrating any issue or dispute arising out of the provisions of Article I of an agreement dated March 14, 1964, between the Clerks and Employers and others, which are in dispute in proceedings before the National Labor Relations Board, and which pertain to the performance of work within the markets by employees of distributors, suppliers, rackjobbers, or concessionaires, including, but not limited to, the seven points designated to be in dispute in a letter dated March 19, 1965, from the Retail Clerks Union 770 to the President of Food Employers' Counsel (sic)." (TR 199 - 200)



STATUTES INVOLVED

I

THE LABOR MANAGEMENT RELATIONS ACT, 1947, AS AMENDED, BY PUBLIC LAW 86-257, 1959, PROVIDES, IN PERTINENT PART, AS FOLLOWS:

A. Section 8(e), 29 U.S.C. 158(e) provides:

"It shall be an unfair labor practice for any labor organization and any employer to enter into any contract or agreement, express or implied whereby such employer ceases or refrains or agrees to cease or refrain from handling, using, selling, transporting or otherwise dealing in any of the products of any other employer, or to cease doing business with any other person, and any contract or agreement entered into heretofore or hereafter containing such an agreement shall be to such extent unenforcible and void:..."

B. Section 10(a), 29 U.S.C. 160(a) provides:

"The Board is empowered, as hereinafter provided, to prevent any person from engaging in any unfair labor practice (listed in section 8) affecting commerce. This power shall not be affected by any other means of adjustment or prevention that has been or may be established by agreement, law, or otherwise: Provided, That the Board is empowered by agreement with any agency of any State or Territory

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to cede to such agency jurisdiction over any cases in any industry (other than mining, manufacturing, communications, and transportation except where predominantly local in character) even though such cases may involve labor disputes affecting commerce, unless the provision of the State or Territorial statute applicable to the determination of such cases by such agency is inconsistent with the corresponding provision of this Act or has received a construction inconsistent therewith."

C. Section 10(b), 29 U.S.C. 160(b) provides:

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"Whenever it is charged that any person has engaged in or is engaging in any such unfair labor practice, the Board, or any agent or agency designated by the Board for such purposes, shall have power to issue and cause to be served upon such person a complaint stating the charges in that respect, and containing a notice of hearing before the Board or a member thereof, or before a designated agent or agency, at a place therein fixed, not less than five days after the serving of said complaint; Provided, That no complaint shall issue based upon any unfair labor practice occurring more than six months prior to the filing of the charge with the Board and the service of a copy thereof upon the person against whom such charge is made, unless the person aggrieved



thereby was prevented from filing such charge by reason of service in the armed forces, in which event the six-month period shall be computed from the day of his discharge. Any such complaint may be amended by the member, agent, or agency conducting the hearing or the Board in its discretion at any time prior to the issuance of an order based thereon. The person so complained of shall have the right to file an answer to the original or amended complaint and to appear in person or otherwise and give testimony at the place and time fixed in the complaint. In the discretion of the member, agent, or agency conducting the hearing or the Board, any other person may be allowed to intervene in the said proceeding and to present testimony. Any such proceeding shall, so far as practicable, be conducted in accordance with the rules of evidence applicable in the district courts of the United States under the rules of civil procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the Act of June 19, 1934 (U.S.C., title 28, secs. 723-B, 723-C)." Section 10(1), 29 U.S.C. 160(1) provides: D.

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"Whenever it is charged that any person has engaged in an unfair labor practice within the meaning of paragraph (4)(A), (B), or (C) of section 8(b), or



section 8(e) or section 8(b)(7), the preliminary investigation of such charge shall be made forthwith and given priority over all other cases except cases of like character in the office where it is filed or to which it is referred. If, after such investigation, the officer or regional attorney to whom the matter may be referred has reasonable cause to believe such charge is true and that a complaint should issue, he shall, on behalf of the Board, petition any district court of the United States (including the District Court of the United States for the District of Columbia) within any district where the unfair labor practice in question has occurred, is alleged to have occurred, or wherein such person resides or transacts business, for appropriate injunctive relief pending the final adjudication of the Board with respect to such matter. Upon the filing of any such petition the district court shall have jurisdiction to grant such injunctive relief or temporary restraining order as it deems just and proper, notwithstanding any other provision of law: Provided further, That no temporary restraining order shall be issued without notice unless a petition alleges that substantial and irreparable injury to the charging party will be unavoidable and such temporary restraining order shall be effective for no longer than five days and

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will become void at the expiration of such period. Provided further, That such officer or regional attorney shall not apply for any restraining order under section 8(b)(7) if a charge against the employer under section 8(a)(2) has been filed and after the preliminary investigation, he has reasonable cause to believe that such charge is true and that a complaint should issue. Upon filing of any such petition the courts shall cause notice thereof to be served upon any person involved in the charge and such person, including the charging party, shall be given an opportunity to appear by counsel and present any relevant testimony: Provided further, That for the purposes of this subsection district courts shall be deemed to have jurisdiction of a labor organization (1) in the district in which such organization maintains its principal office, or (2) in any district in which its duly authorized officers or agents are engaged in promoting or protecting the interests of employee members. The service of legal process upon such officer or agent shall constitute service upon the labor organization and make such organization a party to the suit. In situations where such relief is appropriate the procedure specified herein shall apply to charges with respect to section 8(b)(4)(D)."

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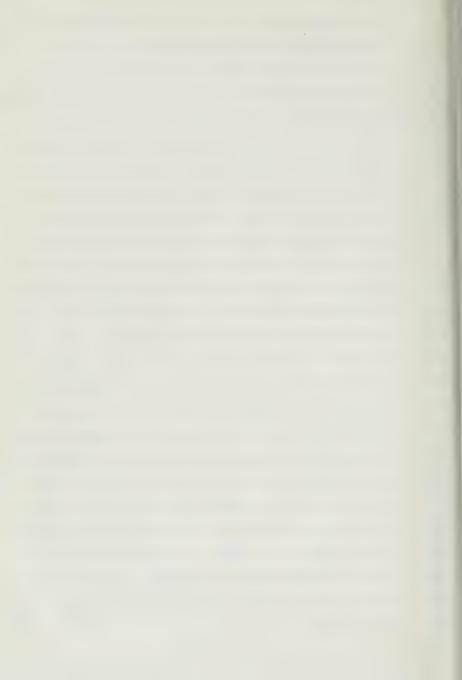
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THE NORRIS-LAGUARDIA, ANTI-INJUNCTION ACT, PUBLIC LAW NO. 65, 72nd CONGRESS, 47 STAT. 70, 29 U.S.C. 101, ET SEQ., PROVIDES, IN PERTINENT PART, AS FOLLOWS: A. Section 1, 29 U.S.C. Section 101, provides:

"No court of the United States, as herein defined, shall have jurisdiction to issue any restraining order or temporary or permanent injunction in a case involving or growing out of a labor dispute, except in a strict conformity with the provisions of this Act; nor shall any such restraining order or temporary or permanent injunction be issued contrary to the public policy declared in this Act."

B. Section 4, 29 U.S.C. Section 104, provides:

"No court of the United States shall have jurisdiction to issue any restraining order or temporary or permanent injunction in any case involving or growing out of any labor dispute to prohibit any person or persons participating or interested in such dispute (as these terms are herein defined) from doing, whether singly or in concert, any of the following acts:

* * * * *

"(d) By all lawful means aiding any person participating or interested in any labor dispute who is being proceeded against in, or is prosecuting, any



action or suit in any court of the United States or of any State;

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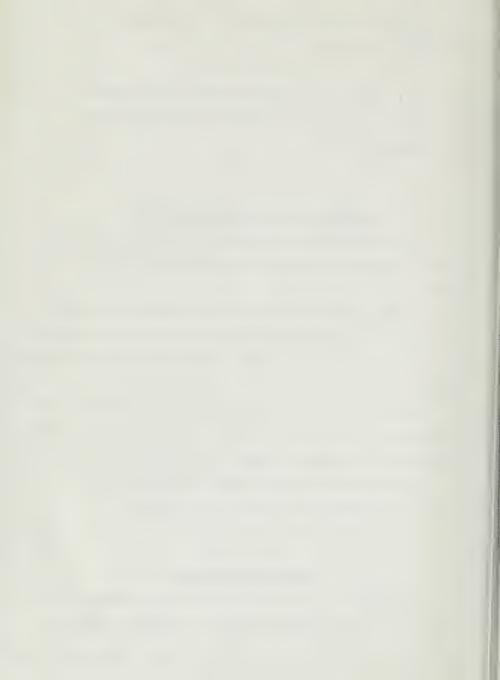
"(f) Assembling peaceably to act or to organize to act in promotion of their interests in a labor dispute: . . ."

SPECIFICATION OF ERRORS RELIED ON

- 1. The District Court Erred in Granting Injunctive Relief to Persons Not Entitled Thereto and Not Parties to the Action.
- 2. The District Court Erred in Refusing to Approve a Stipulation in Settlement of the Petition for Injunctive Relief Entered Into and Approved by the National Labor Relations Board.
- 3. The District Court Erred in Enjoining Conduct Not Complained of by the National Labor Relations Board and Not Violative of the Labor Management Relations Act, As Amended.
- 4. The District Court Erred in Modifying or Changing the Terms of its Order by an Order Nunc Pro Tunc.

QUESTIONS PRESENTED

1. Whether, in an action which can be brought only by the National Labor Relations Board, the District Court may



treat private interests as parties petitioner and grant them relief beyond that prayed for by the Board.

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- 2. Whether the Labor Management Relations Act, as amended, grants jurisdiction to the District Court in such a proceeding to refuse to accept a settlement agreement deemed by the National Labor Relations Board to be in the public interest and expressly entered into and approved by the Board.
- 3. Whether the Labor Management Relations Act, as amended, and the Norris-LaGuardia Anti-Injunction Act, prohibit the District Court in such a proceeding from enjoining conduct which the Board has not alleged to be an unfair labor practice and which does not violate the Labor Management Relations Act, as amended.
- 4. Whether the District Court may, under Federal Rule of Civil Procedure 60(a), alter or modify the terms of a judgment after entry thereof because the considered judgment of the court was either legally or factually in error at the time entered.

SUMMARY OF ARGUMENT

The Congress of the United States, in its enactments of the Norris-LaGuardia Act and the Labor Management Relations Act, constructed an exclusive procedure for the protection of the rights of the public and of parties to labor disputes by 26 injunctive relief. Within this statutory scheme, only the



National Labor Relations Board may seek and obtain relief to enjoin the commission of acts believed by the Board to be unfair labor practices, and it does so in the pursuit of the interest of the public welfare, not that of any private litigant. Such functions as the Congress has conferred on the Board may neither be usurped nor appropriated to obtain relief in furtherance of an individual interest. If such usurpation is allowed to occur, the District Court has been transformed into a forum for the litigation of solely private interests in contravention of the clear Congressional mandate.

If it is clear under the decisions of the United States Supreme Court and of the Court of Appeals of this Circuit that the power to initiate proceedings under Section 10(1) of the Labor Management Relations Act and the discretion to name the relief prayed for therein are functions assigned by the Congress to the Board so that the public interest shall at all times be represented by a public body, then it is equally clear that the District Court cannot refuse its approval of a settlement agreement proposed by the Board as furthering 20 the purposes of the Act and the public interest, in the absence of a showing of grave injury to such purposes and such 22 interest.

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24 I. THE LABOR MANAGEMENT RELATIONS ACT PROHIBITS THE ISSUANCE 25 OF INJUNCTIVE RELIEF UPON THE APPLICATION OF PRIVATE 26 PARTIES.



Section 10(1) of the Labor Management Relations Act, cited supra, requires the Regional Director for the National Labor Relations Board Board to petition the District Court "for appropriate injunctive relief pending the final adjudication of the Board with respect to such matter." Elsewhere in the Act, Section 10(a), cited supra, empowers the Board 7 "to prevent any person from engaging in any unfair labor practice. . . affecting commerce." The Norris-LaGuardia Act, 8 enacted into law prior to the Labor Management Relations Act, as amended, expressly denies to the District Court the jurisdiction to issue an injunction in a labor dispute which pro-12 hibits any person from "assembling peaceably to act or to organize to act in promotion of their interests in a labor dispute."

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15 In interpreting these and other sections of the Labor Management Relations Act relating to the jurisdiction of the Board, the United States Supreme Court has consistently construed such jurisdiction in the prosecution of an unfair labor 18 19 practice case to be exclusive. In Amalgamated Utilities 20 Workers v. Consolidated Edison, 309 U.S. 261, 60 S. Ct. 561, 84 L.ed. 738 (1940), in considering a petition of the Board 22 to enforce one of its orders, the court held:

> "Congress was entitled to determine what remedy it would provide, the way that remedy should be sought, the extent to which it should be afforded, and the means by which it should be



made effective.

"Congress declared that certain labor practices should be unfair, but it prescribed a particular method by which such practices should be ascertained and prevented. By the express terms of the Act, the Board was made the exclusive agency for that purpose." (309 U.S. at page 264)

In interpretation of the powers conferred upon the Board by Section 10(a) of the Act, the court emphatically held:

"The Board as a public agency acting in the public interest, not any private person or group, not any employee or group of employees, is chosen as the instrument to assure protection from the described unfair conduct in order to remove obstructions to interstate commerce.

* * * * * *

"What Congress said at the outset, that the power of the Board to prevent any unfair labor practice as described in the Act is exclusive, is thus fully carried out at every state of the proceeding." (309 U.S. at pp. 265 - 266)

The Supreme Court has, in <u>Sinclair Refining Co. v. Atkinson</u>, 370 U.S. 195, 82 S. Ct. 1428, 8 L.ed.2d 440 (1962), defined the position of Section 10(1) in the statutory scheme composed of Norris-LaGuardia and the Labor Management Relations Act. The court was there faced with the contention that



Section 301 of the Labor Management Relations Act, 29 U.S.C. Section 185(a), 61 Stat. 156, empowered a private litigant to seek injunctive relief in the District Court in an action arising out of the violation of a labor agreement between an employer and a union. Section 301(a) authorizes "suits for violation of contracts between an employer and a labor organization. . . ", but the court specifically held that such an action could not support a claim for injunctive relief holding, 370 U.S. at p. 203:

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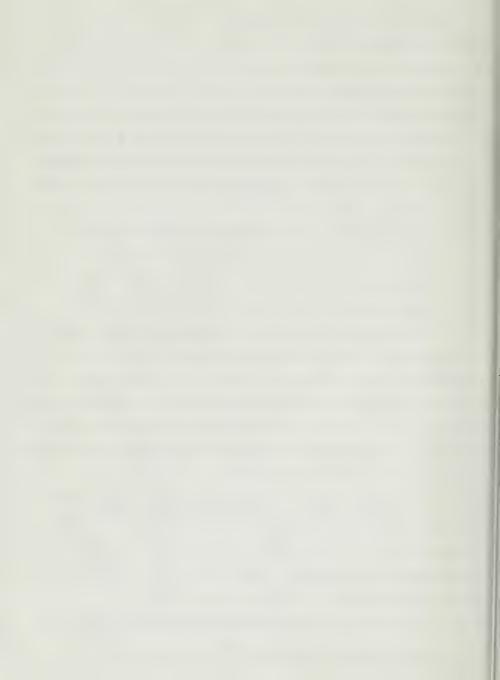
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"(Section 301) was not intended to have any such partially repealing effect upon such a longstanding, carefully thought out and highly significant part of this country's labor legislation." It was specifically held in Sinclair Refining, Supra, that Section 302(e) of the Labor Management Relations Act, 29 U.S.C. Section 186(e), 61 Stat. 157, "stands alone in ex-

pressly permitting suits for injunctions. . . by private litigants. . . " (370 U.S. at p. 205, FN 19) Section 302 relates to restrictions on payments to employee representatives and is not in issue in this case.

The Supreme Court in Sinclair Refining, supra, inter-22 preted the intent of Congress as expressed in the Norris-LaGuardia Act as "(leaving) not the slightest opening for 23 24 reading in any exceptions beyond those clearly written into it 25 by Congress itself." (370 U.S. at p. 202)

In accord, see also Capital Service, Inc. v. NLRB, 374



1 U.S. 501, 974 S. Ct. 700, 98 L.ed. 891 (1954); National Licor-2 ice Co. v. NLRB, 309 U.S. 350, 60 S. Ct. 569, 84 L.ed. 799 (1940); Allen Bradley Co. v. Local Union No. 3, IBEW, 325 U.S. 3 797, 65 S. Ct. 1533, 89 L.ed. 1939 (1945); and NLRB v. Lewis Food Co., 357 U.S. 10, 78 S. Ct. 1029, 2 L.ed.2d 1103 (1958), affirming decision of the United States Court of Appeals for 6 the Ninth Circuit in NLRB v. Lewis Food Co. (1957), 249 F.2d 832.

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The Supreme Court of the United States has not been called upon to directly answer the questions which are here 10 11 involved. However, these Appellants believe and respectfully 12 urge that the holdings in Sinclair Refining, supra, and in 13 Amalgamated Utilities Workers, supra, compel the conclusion 14 that it must be, at all stages of the proceeding, the Regional 15 Director who is the moving party in securing the injunctive 16 relief sought.

The question of participation by those persons referred 181 to in Section 10(1) as "charging parties" has been presented to the Court of Appeals for this Circuit and for the Second, Fourth and Seventh Circuits. The Court of Appeals in each Circuit has, in each case, held in accordance with the posi-221 tion urged by these Appellants.

In NLRB v. Retail Clerks International Association (C.A. 9, 1956), 243 F.2d 777, this Court, per Bone, C.J., held:

"We reach the conclusion that (the charging party) has no standing to petition this court for injunctive



1 relief against what it alleges is conduct which 2 violates the decrees of this court." (Citing Amalgamated Utilities Workers, 309 U.S. 261, supra.) 3 This court in deciding Retail Clerks International Asso-4 ciation, supra, also relied upon Stewart Diecasting Corp. v. 6 NLRB (C.A. 7, 1942), 132 F.2d 801. This court properly inter-7 preted Stewart Diecasting as holding that "the Seventh Circuit 8 recognizes that only the Board has standing to prosecute pro-9 ceedings in aid of its orders." (243 F.2d at 783) Also in 10 accord is the decision of the Court of Appeals for the Fourth 11 Circuit in Amazon Cotton Mills Co. v. Textile Workers Union (1948), 167 F.2d 183. 13 The Court of Appeals for the Second Circuit in McLeod 14 15 16 17 ceedings in the following language: 18 19

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v. Mechanics Conference Board (1962), 300 F.2d 237, has, perhaps, most exactly defined the position of the Regional Director and that of the charging parties in Section 10(1) pro-

"Section 10(1) is operative only upon the filing of a petition by a Regional Director of the Board. This limitation was imposed in order to restrict the potential involvement of Federal Courts in labor disputes. For that reason we do not read it to allow consideration of issues not raised by the Regional Director. To do otherwise would not only increase the danger of overinvolvement on the part of the Federal Courts,



but would also ignore the expertise which Section 10(1) commands us to attribute to the Regional Direc-It is his view of the facts and law the District Judge is to evaluate in a Section 10(1) pro-(Footnote omitted.) The courts are not free to roam at will over every aspect of a labor dispute upon the request of a charging party. believe, however, the principal role in these proceedings is to be played by the Regional Director acting in the public interest, and while the charging party is free to aid him in the course of the litigation, the charging party may not substitute itself as the principal complainant." (300 F.2d at pp. 242 - 243)

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The evidence in the case before this court is overwhelming that the District Court in issuing its Order Granting Temporary Injunction, including Paragraph (c) thereof, acted solely upon the insistence of the charging parties in the court below, amici curiae in this court. See, e.g., "Opposition of Intervenors, American Research Merchandising Institute, et al.", filed May 19, 1965 (TR 156), "Opposition of Teamsters Union to Approval of Settlement", filed May 10, 1965 (TR 128), followed by Memorandum of the Court Denying 24 Approval of the Stipulation, filed May 27, 1965 (TR 168).

It is clear that even the Order Nunc Pro Tunc correcting 26 Paragraph (c) of the Order Granting Temporary Injunction was



made solely upon the insistence and urging of the charging parties who cannot, in any sense, be said to have been aggrieved by the original order. (See "Objections of Joint Council of Teamsters, No. 42, to Proposed Order Granting Temporary Restraining Injunction Lodged by Petitioner", filed June 23, 1965, at TR 195; and Order Nunc Pro Tunc, filed and entered June 25, 1965, at TR 199.)

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It is respectfully submitted that the participation by these charging parties in securing the orders in the court below is as complete participation as was sought by the charging party, Safeway Company, in the case of Retail Clerks 12 International Association v. NLRB, decision of this court cited supra. It is further submitted that if the charging party, Safeway Company, in the Retail Clerks International 15 Association case was properly prohibited from such participa-16 tion, then the court below has erred in fashioning its relief in accordance with the desires of the charging parties in this 18 case.

II. THE INTENT OF THE CONGRESS IN THE ENACTMENT OF THE LABOR MANAGEMENT RELATIONS ACT REQUIRES THAT THE DISTRICT COURT APPROVE A SUITABLE SETTLEMENT OF AN INJUNCTIVE PROCEEDING.

The stipulation to refrain from unfair labor practices lodged with the court, disapproved and filed May 27, 1965 (TR 160), constitutes the agreement between the National Labor



1 Relations Board and all parties respondent in the court below, that they will perform none of the acts listed in the prayer of the petition (TR 17-18), which prayer, of course, seeks to enjoin such activities. It is apparent from a study of the exhibit to the stipulation, a form of temporary injunction (TR 164 - 167) and from Paragraph 2 of the stipulation (TR 162, lines 16 - 26), that if the Regional Director should at any time have reasonable cause to believe that the provisions of the stipulation have been violated, he could, without any notice whatsoever to these Appellants, have entered against them a temporary injunction in the same form and to the same extent as that originally prayed for in the petition. In effect then the Regional Director and the respondents in the court below agreed that all of the relief petitioned for could be had by the Board at any time it so chose. The "Opposition of Intervenors, American Research Merchandising Institute", et al. (TR 156 - 160) discloses not a single reason, that the stipulation lodged with the court in any way would prejudice the rights of those parties, adversely affect the purposes of 20 the Labor Management Relations Act or operate to the detriment of the public interest. The same may be said for the "Oppo-22 sition of Teamsters Union to Approval of Settlement". (TR 23 128) Indeed, the only mention that has been made in the court below by any of the charging parties that injury might befall 25 anyone was the statement by counsel for one of the charging 26 parties at hearing in the District Court on June 14, 1965:

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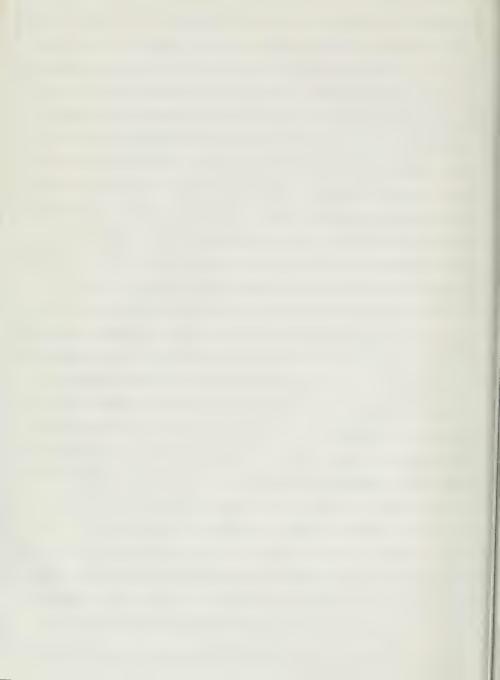
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"We are very much disturbed. . . that there will be still a new set of clauses that presumptively will meet some of the objections of the Government in this proceeding, and we don't want to go through the Labor Board and then be told again, if it isn't moot by that time, . . . an arbitrator had told them to sign a new agreement, you have to start back at scratch again and see if you can get the thing stayed while the Government looks at this slightly modified clause." (Reporter's Transcript, p. 22)

Counsel was apparently referring to one of the issues contained in the letter of March 19 (TR 188) dealing with the obligation, if any, of the parties to the labor agreement to renegotiate provisions which may from time to time be invalidated as in conflict with any law, by a "court of last resort". (See Government Exhibit 1, Article XXI, p. 18)

The thrust of such an arbitral demand was stated by counsel for these Appellants at the hearing in the District Court on June 14, 1965:

"It is our position, your Honor, that what
we are arbitrating here is ancillary and in no way
does violence to the National Labor Relations Act,
and it doesn't do violence to any one of the Sections.

* * * * * *

"We don't intend to enforce or give effect to



the clause alleged to be a violation of the Act, but we do propose to submit to the arbitrator matters of contract interpretation which both parties have agreed we can do."

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In short, the court below was informed that the intent of at least part of the arbitral demand was to place parties to the labor agreement in the position referred to in the contract requiring renegotiation of invalidated clauses. Nowhere has it been contended that the "court of last resort" language of the labor agreement is itself in any way violative of the Labor Management Relations Act, and it follows that an attempt to invoke such language is protected activity under the Act.

If the holding of McLeod v. Mechanics Conference Board, cited supra, properly expresses the intent of Congress, it is improper for a District Court to consider issues which have not been raised by the Regional Director, to ignore the expertise of the Regional Director of the Board and to depart from the allegations of the petition and "to roam at will over every aspect of a labor dispute upon the request of a charging party." (McLeod, supra, 300 F.2d at p. 243) That such an inquiry was loosed in the District Court is clearly evidenced from the memoranda filed by the charging parties in opposition to the stipulation and from the District Court's refusal to approve the stipulation without any showing on the part of such charging parties of irreparable injury to the



public or to themselves.

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By order of this Court, dated July 2, 1965, and corrected July 14, 1965, the charging parties in the court below have been denied their application to intervene as parties appellee and have been relegated to the position of amici curiae, consistent with the decision of Circuit Judge Bone in Retail Clerks International Association v. National Labor Relations Board, cited supra. (See 243 F.2d p. 783, footnote 12) This Court has, in Haleston Drug Stores, Inc., v. NLRB (1950), 190 F.2d 1022, similarly denied intervention to charging parties as has the Court of Appeals for the Second Circuit in 111 Fafnir Bldg. Co. v. NLRB (1964), 339 F.2d 801, and see cases cited therein at 339 F.2d p. 802. The wisdom of this rule 13 lies in preventing "the danger of over-involvement on the part of Federal Courts" in the statutory scheme for the ad-15 ministration of the Labor Management Relations Act by the 16 National Labor Relations Board. (McLeod v. Mechanics Conference Board, supra, 300 F.26 at p. 242) 18

These Appellants are unable to cite to the court a case decided by a Federal Court on the narrow question of limitations of discretion that may be exercised by the United States 21 22 District Court in accepting, approving or refusing the settle-231 ment of an action arising under Section 10(1) of the Labor 24 Management Relations Act which is proposed and approved by 25, the National Labor Relations Board. We believe, and respect-26 fully urge upon this court, that the authorities cited herein



supra compel the conclusion that the District Court's discretion in such instance is greatly limited and that the scope of inquiry in the exercise of this discretion is, and should be, limited to a determination of whether or not such a settlement will have any adverse effect upon the policies enunciated in the Labor Management Relations Act or upon the public for whom it is administered. The Court of Appeals for the Seventh Circuit has pointed the way in this direction in Aluminum Ore Co. v. NLRB (1942), 131 F.2d 485, at p. 488:

"This proceeding is in the public interest, prosecuted by an authorized agency of the Government, in furtherance of an express policy and intent upon the part of Congress to establish, in behalf of the national public, a standard of conduct presumably productive of progress in protection of the public welfare. In such proceedings, private parties have no rightful place except as the court may desire to avail itself with helpful suggestions."

In accord are many decisions of the District Courts throughout the country. See, e.g., <u>Douds v. Wine</u>, <u>Liquor and Distillery Workers Union</u>, <u>Local 1</u>, et al. (S.D. N.Y., 1948), 75 F. Supp. 447; <u>Phillips v. United Mining Workers</u>, <u>District 19</u> (E.D. Tenn., 1963), 218 F. Supp. 103.



THE DISTRICT COURT IS WITHOUT JURISDICTION UNDER THE LABOR MANAGEMENT RELATIONS ACT TO ENJOIN CONDUCT NEITHER COMPLAINED OF BY THE NATIONAL LABOR RELATIONS BOARD NOR IN VIOLATION OF THE ACT.

III.

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If it be remembered that the Regional Director, on June 30, 1964, filed a petition in the District Court for injunctive relief pursuant to Section 10(1) of the Labor Management Relations Act (TR 15), that on the same date and in that prior case a stipulation to refrain from unfair labor practices was executed by the Regional Director, these Appellants, and Appellee Food Employers Council, and approved by the District Court (TR 15), and that the said action was, on December 3, 1964, dismissed by stipulation of all of the said parties upon agreement that the former stipulation would remain in effect (TR 48-49), the gravamen of the petition for injunctive relief in this case is set forth in Paragraph 8 of the petition. (TR 16)

In addition to the allegations in the petition that the clauses in Article I of the labor agreement between Appellants and Appellee will have an effect proscribed by Section 8(e) of the Act, the Regional Director has alleged, in Paragraph 8 of the petition, that Appellant Local 770, in its efforts to submit certain issues regarding interpretation of the contract to arbitration and its attempt to compel Appellee to partici-25 pate in an arbitral proceeding by a petition for such relief in the Superior Court, Appellant Local 770 has thereby entered



1 into, invoked and/or given effect to the clauses which are contended to be in violation of Section 8(e) of the Act. 2 3 Paragraph 8 of the petition addresses itself solely to the 4 actions of Appellant Local 770 seeking an order of court requiring that the Food Employers Council join in such arbitra-5 6 tion. Thereafter, Appellant Local 770 dismissed its suit in 7 the Superior Court for the County of Los Angeles. (Reporter's 8 Transcript, p. 20) Thus, it is clear from the record that the 9 principal and only conduct of these Appellants which the 10 Regional Director deemed to be in furtherance of an unlawful]] contract has been fully and finally terminated by Appellants; 12 and it is submitted that whether or not seeking the aid of a 13 court of general jurisdiction of this State is in effectua-14 tion or furtherance of an unlawful agreement has become moot 15 and should not have been considered by the District Court in 16 fashioning its decree.

It follows that the arbitration which the District Court enjoined must be, if it is to take place, a voluntarily constituted proceeding at which these Appellants will urge upon the arbitrator the necessity of deciding the questions contained in the letter of March 19. (TR 188) Appellee Food Employers Council is free to appear at the proceeding and urge upon the arbitrator the issue of whether or not, under the 24 contract, such questions as are contained in the March 19 letter are properly before him, or they may address themselves to the merits of those questions as they deem proper.

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The attention of this court is directed to the issues outlined in that letter, and particularly to Paragraph 3 thereof. (TR 188-189) Appellant Local 770 has conceded its inability to place in effect the clauses under attack in the following language:

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"As a result of charges filed with the National Labor Relations Board by the Teamsters Union and certain suppliers, Article I has never become operative and cannot become operative during the term, or a substantial part of the term of our contract, because of the length of time it will require to litigate the Board complaint and subsequent appeals. There is an issue, therefore, as to whether or not the employer is being unjustly enriched because of the inoperativeness of Article I, in that the employer has been able to take advantage of the (a) broader box-boy duties, (b) new classifications with lower rates for non-food items, and (c) lower apprentice rates, which were given to the employer only upon the understanding of both parties that Article I would be effective and would confer benefits upon the Union."

And in Paragraph 6 of the letter (TR 189), Appellant Local 770 gives notice that it seeks an interpretation of an arbitrator that the employer is under an obligation to negotiate different and clearly lawful clauses with the Union



under Article XXI, Paragraph A of the contract, the "Separability Clause" which provides, inter alia, as follows:

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"A. The provisions of this Agreement are deemed to be separable to the extent that, if and when a court of last resort adjudges any provisions of this Agreement in its application between the Union and the undersigned Employer to be in conflict with any law, such decision shall not affect the validity of the remaining provisions of this Agreement, but such remaining provisions shall continue in full force and effect, provided further, that in the event any provision or provisions are so declared to be in conflict with a law, both parties shall meet immediately for the purpose of renegotiation and agreement on provision or provisions so invalidated." (Government Exhibit 1, p. 18)

17 The position of the Union in this letter is manifestly one of recognition that it is most probable a final decision 18 19 in the proceedings before the National Labor Relations Board 20 already concluded will not be forthcoming until close to, or after, the termination of the contract, March 31, 1969. (Government Exhibit 1, p. 24) That the Board proceedings may 22 be expected to take fully that length of time is demonstrated 23 in a similar proceeding, Teamsters Local 710 v. NLRB (Wilson 24 25 and Company) (C.A. D.C., 1964), 335 F.2d 709. This case, upon 26 which Appellants rely heavily before the National Labor



Relations Board, was decided by the Court of Appeals for the District of Columbia on June 25, 1964. As the report of the case indicates, the clauses alleged by the Board to be in vio-3 lation of Section 8(e) of the Act were negotiated between the Union and the employer in 1961. The case was before the 51 6 Court of Appeals on cross-petitions to enforce an order of the Board and for review of that order; and the Court of Appeals for the District of Columbia remanded the case to the Labor 8 Board for further proceedings in accordance with its opinion. 101 Although it is now five years since the clauses were negotiated, no final decision has been entered in that case. 111 121 Faced with the same prospect, Appellants have sought arbitra-131 tion, in part to interpret the severability clause of the 14 labor agreement, if possible conferring upon Appellant interim relief not in violation of Section 8(e) of the Act. Thus the 15 16 cornerstone of the arbitral proceeding which the District 17 Court erroneously enjoined is, and must be, the assumption 18 that the clauses in dispute may be found by the Board to be in violation of Section 8(e) of the Act and cannot, therefore, 191 20 be given any effect whatsoever. From this reference point, Appellants seek, in the forum of arbitration, a decision as 21 22 to the validity of the remaining portions of the contract. 23 In its Memorandum Decision of May 29, 1965 (TR 168), the District Court cited the case of McLeod v. American Federation 24 251 of Television and Radio Artists, New York Local (U.S. D.C., S.D. N. Y., 1964), 234 F. Supp. 832, in support of its



decision that the stipulation lodged with the court which would allow the arbitration was improper.

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In that decision, the Union sought to arbitrate what superficially appeared to be the grievance of an individual employee but which the court found, upon examination, to also contain contentions of the Union directly contrary to the position taken by the National Labor Relations Board in the major proceedings. The court held, 234 F. Supp. at p. 837:

"Whether the employer, as a result of union pressure, must cease doing business with another employer, or must submit to compulsory arbitration, the union is still implementing an allegedly void and unenforceable clause in a contract. . . ."

That the employer here is not placed under any such compulsion to arbitrate is clear from the dismissal of the Superior Court case seeking such compulsion.

The McLeod v. Artists case, supra, also is distinguishable upon the ground that there the Regional Director for the National Labor Relations Board actively and continuously refused to allow the holding of any arbitral proceeding whatsoever, and requested that the District Court specifically preclude such a proceeding in its injunctive order. In the instant case, the stipulation to refrain from unfair labor 24 practices (TR 160) demonstrates that the Board does not take 25 the same position as in McLeod, at all.

Finally, this McLeod decision may be entirely distin-



guished from the instant case because the matters here to be arbitrated, as stated <u>supra</u>, can only arise as issues for decision by an arbitrator if he, and parties to the proceeding, assume, or concede without admitting, that the clauses under attack here are violative of the Labor Management Relations Act, and therefor cannot be enforced for the term of the agreement.

The Regional Director of the National Labor Relations
Board has been attacked by the charging parties in the District Court in this case for offering the stipulation to refrain from unfair labor practices as doing so "for some undisclosed reason" (TR 131), and as having an unexplained "change
of heart". (TR 135)

The explanation for the Board's willingness to inspect an arbitration award at a later date is founded on at least five major decisions of the United States Supreme Court dealing with the place of arbitration in the statutory framework of the Labor Management Relations Act, and many decisions of the National Labor Relations Board indicating its concurrence with the views of the Supreme Court. See, e.g., the "Steelworkers Trilogy", which are the landmark decisions of the Supreme Court in this field:

United Steelworkers of America v. American Manufacturing Co., 363 U.S. 564, 80 S. Ct. 1343, 4
L.ed.2d 1403 (1960);

United Steelworkers of America v. Warrior & Gulf



Navigation Co., 363 U.S. 574, 80 S. Ct. 1347, 4 L.ed.2d 1409 (1960); and

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United Steelworkers of America v. Enterprise Wheel & Car Corp., 363 U.S. 593, 80 S. Ct. 1358, 4 L.ed.2d 1424 (1960).

The doctrine in the Steelworker Trilogy of cases has been, if anything, expanded by the Supreme Court in its more recent decisions. In Carey v. Westinghouse Electric Corp., 375 U.S. 261, 84 S. Ct. 401, 11 L.ed.2d 320 (1964), the International Union of Electrical, etc., Workers filed a grievance with the employer under its collective bargaining agreement 11 asserting that certain employees in a particular section of 13 the plant who were represented by another union were performing work within the bargaining unit of the Electrical Workers. The company refused to arbitrate the dispute with the union 16 upon the ground that nothing more than a jurisdictional dispute between two unions was involved. In ordering the employer to submit to arbitration the grievance put forth by 19 the Electrical Workers, the court held (375 U.S. at p. 268):

> "However the dispute be considered -- whether one involving work assignment or one concerning representation -- we see no barrier to use of the arbitration procedure. If it is a work assignment dispute, arbitration conveniently fills a gap and avoids the necessity of a strike to bring the matter to the Board. If it is a representation matter,

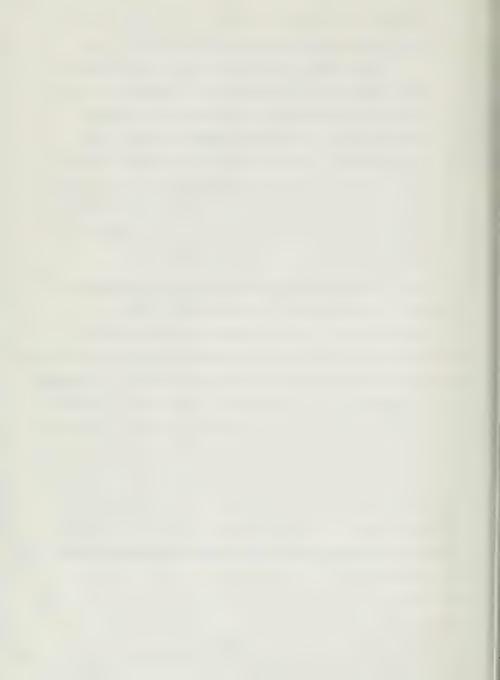


resort to arbitration may have a pervasive, curative effect even though one union is not a party.

"By allowing the dispute to go to arbitration its fragmentation is avoided to a substantial extent; and those concilliatory measures which Congress deemed vital to 'industrial peace' (citing case) and which may be dispositive of the entire dispute, are encouraged. The superior authority of the Board may be invoked at any time. Meanwhile the therapy of arbitration is brought to bear in a complicated and troubled area." (Emphasis added.)

See also John Wiley and Sons, Inc., v. Livingston, 376 U.S. 543, 84 S. Ct. 909, 11 L.ed. 2d 898 (1964).

The Board has, on innumerable occasions, elected to await an arbitral award and to "invoke its superior authority" only after inspection of such award. See, e.g., <u>Insulation</u> and <u>Specialties</u>, <u>Inc.</u>, 144 NLRB No. 149 (1963), in which the Board, in a representation proceeding, elected to await the outcome of an arbitration and to inspect the award after its rendering. For a discussion of the Board's adoption of this concept, see the 28th Annual Report of the National Labor Relations Board for the fiscal year ended June 30, 1963, Chapter 3, <u>Effect of Concurrent Arbitration Proceedings</u>, page 38, et seq.



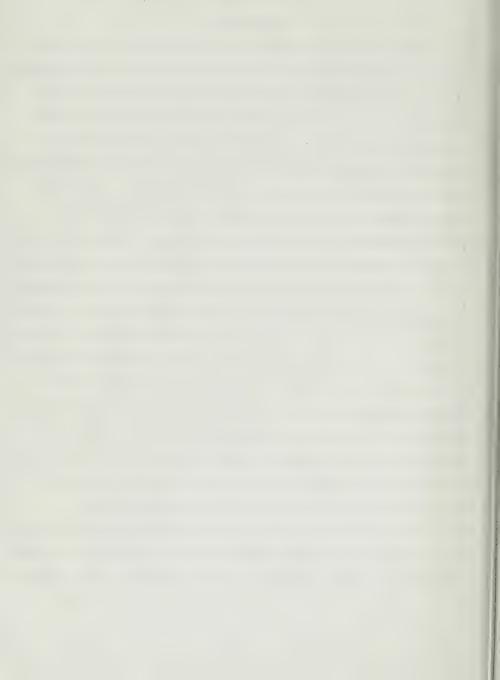
CONCLUSION

2 The record before this court, in the form of the pleadings and memoranda filed by the parties and by the charging parties, and the Reporter's Transcript of the argument in the District Court on June 14, 1965, amply demonstrates that in the proceedings before the District Court, Paragraph (c) of the Order Granting Temporary Injunction and the Order Nunc Pro Tunc was entered solely upon the formal request, and indeed the guidance, of persons who, under Section 10(1) of the 10 Labor Management Relations Act, shall only "be given an opportunity to appear by counsel and to present any relevant testi-111 12 mony." The Court of Appeals for the Second Circuit in McLeod 13 v. Mechanics Conference Board, supra, has interpreted, and we 141 submit properly, this section of the Act to prohibit a charg-15 ing party from doing any more than aiding the Regional Direc-16 tor in achieving the public interest and preventing such charging party's becoming the principal or only complainant. 18 Additionally, the record shows that the District Court has 19 enjoined activity expressly approved by the Labor Board acting 20 in the public interest, activity which has the full support 21 of the decisions of the United States Supreme Court. 22 For these reasons, Appellants ask this Court to reverse

For these reasons, Appellants ask this Court to reverse
the decision of the lower court and enter its order striking
Paragraph (c) from the Order Granting Temporary Injunction and

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from the Order Nunc Pro Tunc. DATED: July 20, 1965. Respectfully submitted, ARNOLD, SMITH & SCHWARTZ GEORGE L. ARNOLD KENNETH M. SCHWARTZ ROBERT M. DOHRMANN Attorneys for Appellants, Retail Clerk Unions, Locals 770, 137, 905 and 1222 -38-

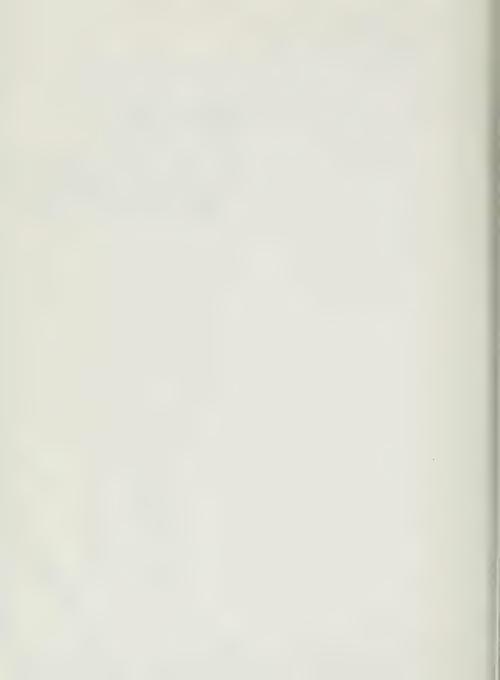


TABLE OF EXHIBITS

	TABLE OF EXILIBITS				
2	Exhibit (Government)		Record Page	Transcript Page	
3	(60	verment)		Ident.	Rec'd.
4	1.	(Blue Labor Agreement)	None	31	49
5	2.	(Voice of 770)	None	49	49
6	3.	(Letter of 3/11/65)	None	49	49
7	G-1	. (White Labor Agreement)	None	32	32
8	A	(Charge and Exhibits)	21-33	48	49
9	В	(Charge and Exhibits)	34-39	48	49
10	С	(List of Members of Appellee)	40-42	48	49
12	D	(Concessionaire Agreement)	43	48	49
13	E	(List of Unions)	44	48	49
4	F	(Stipulation to Refrain)	45-48	48	49
15	G	(Stipulation of Dismissal)	49-50	48	49
6	Н	(Complaint in Superior Court)	51-58	48	49
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CERTIFICATE

I certify that, in connection with the preparation of this Brief, I have examined Rules 18 and 19 of the United States Code of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Brief is in full compliance with those Rules.

KENNETH M. SCHWARTZ
Attorneys



CERTIFICATE OF SERVICE

JUDITH M. MILLER certifies as follows:

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I am a citizen of the United States and am employed in the County of Los Angeles, State of California; I am over the age of eighteen years and am not a party to this action; my business address is 6404 Wilshire Boulevard, Suite 950, Los Angeles 90048, in said County and State; on the 20th day of July, 1965, I served the within BRIEF FOR APPELLANT RETAIL CLERK UNIONS, LOCALS 770, 137, 905 AND 1222, on the Appellants, Appellee and Charging Parties in this action, by placing a true copy thereof in an envelope addressed to their attorneys of record, addressed as follows:

Gilbert, Nissen & Irvin
William B. Irvin, Esq.
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Beverly Hills, California 90211
Attorneys for Retail Clerks Uni

Attorneys for Retail Clerks Union, Locals No. 324, 899, 1167, 1428 and 1442, Appellants

Milo Price, Attorney
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849 South Broadway
Los Angeles, California 90014
Attorney for Ralph E. Kennedy, Regional Director
for National Labor Relations Board, Appellant

Joseph M. McLaughlin, Esq. -- 3 copies Suite 923 650 South Spring Street Los Angeles, California 90014 Attorney for Food Employers Council, Inc., Appellee

Hill, Farrer and Burrill Carl M. Gould, Esq. M. B. Jackson, Esq. 411 West Fifth Street Los Angeles, California 90013

Attorneys for American Research Institute, United States Servateria Corp., Wesco Merchandise Corp., Amici Curiae



Brundage & Hackler Julius Reich, Esq. 1621 West Ninth Street Los Angeles, California 90015 Attorneys for Joint Council of Teamsters No. 42, Amici Curiae and by then sealing said envelope and depositing the same, with postage thereon fully prepaid, in the mail at Los Angeles, California. I certify under penalty of perjury that the foregoing is true and correct. Executed on July 20, 1965, at Los Angeles, California. Judith M. Miller

